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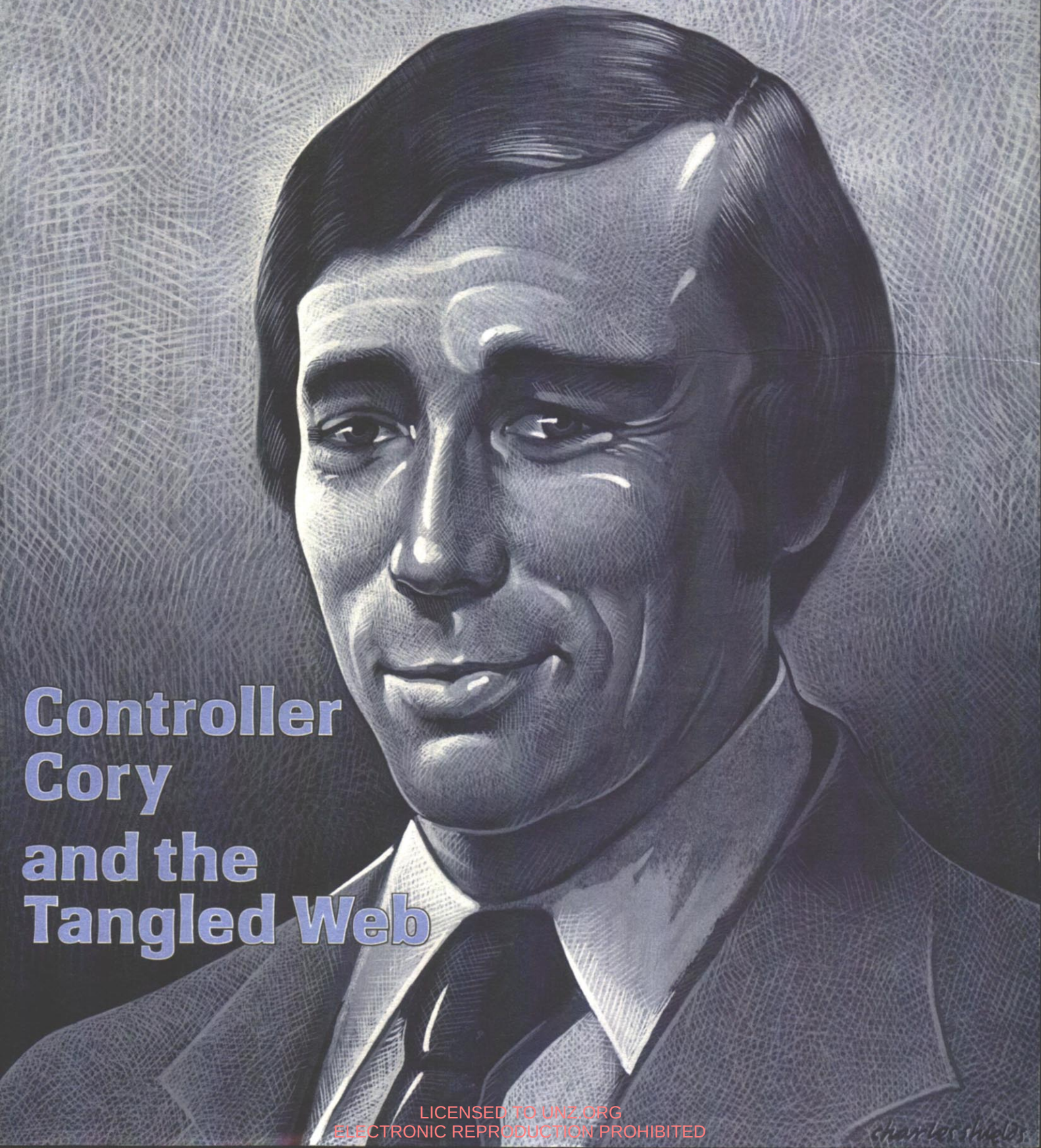
THE MONTHLY ANALYSIS OF STATE GOVERNMENT AND POLITICS



Controller Cory and the Tangled Web

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A PERSONAL PERSPECTIVE...

By Ed Salzman

Who's bailing out whom?

New York City, it appears, is being spared bankruptcy through the good graces of the federal government and the State of New York. Actually, it isn't the city that is being saved but rather the major banks that were caught holding bundles of municipal bonds of dubious value. So until the next alarm the banking system of the nation will remain strong and the Big Apple will be spared the ignominy of default. Valuable as this may be, the bail-out may prevent the nation from facing a more important long-term problem — how American cities can be made financially and socially healthy places in which to live and work.

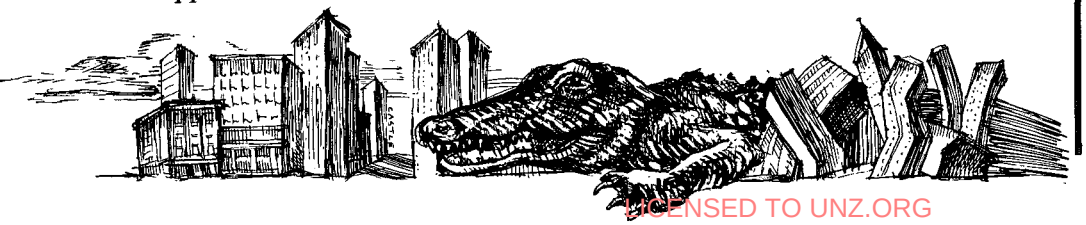
While California cities don't face the same crisis as New York, they are victims of the same fundamental problem. American cities have become the repositories of the poor and unfortunate in our society. These core cities spend inordinate amounts of money for police and fire protection and public health, education and social services. They also provide museums, libraries, sports centers and other recreational facilities that serve large regions. Yet, they cannot draw upon the regions to support these efforts.

The flight to suburbia by middle- and upper-income Californians has left many central cities strapped for funds. Federal revenue-sharing and state school aid did cushion the blow. But now there is a fear that the revenue-sharing program will not be renewed. And Jerry Brown has made it clear that the state can't afford to pass any more money down the line.

One of the major reasons for the flight to suburbia has been the deterioration of city school systems, coupled with integration programs that proved distasteful to many Californians of all races. Some leading exponents of busing a decade or two ago are now conceding that they made a mistake because these efforts only quickened the flight to suburbia and further isolated the Blacks of America in what had become urban ghettoes.

Cities can be revived economically only if a regional responsibility is placed on the extreme costs of operating the urban center. This notion has been anathema to all but those who lived in cities like Oakland, Los Angeles and San Francisco. But the first breakthrough has been made now by the state Supreme Court's validation of San Francisco's 1 percent payroll tax. The payroll tax is simply a method of indirectly extracting dollars from those who live outside a city but work inside it to help pay for services in the urban center. The court's decision eventually could have the effect of making the payroll tax the prime method of supporting cities.

It is probably too late to draw the suburban dwellers back into the city, but at least the California court has opened the door to regional support for the urban center.



California Journal

THE MONTHLY ANALYSIS
OF STATE GOVERNMENT AND POLITICS

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UP FRONT

Warning to potential candidates: Don't always assume that an incumbent legislator will retire just because he says so. Assemblyman Ken MacDonald of Ventura County un-retired two years ago, and now it looks like veteran Frank Lanterman of La Canada will follow suit.

Credit Marty Mercado with the most meteoric rise in the history of the state bureaucracy — from clerical ranks to acting director of the Department of Navigation and Ocean Development in 12 months.

Why all the fuss about the attempted ouster of Robert Schwartz of Oakland as northern chairman of the California Democratic Party? The job is virtually meaningless.

California's business inventory tax has had the effect of producing 158 warehousing facilities for the Reno area over the last seven years, according to a study by San Francisco State graduate student Ron Nesson.

Virginia May Days, director of the state Department of Veterans Affairs, retains her post as mayor of her home town of Morgan Hill in Santa Clara County. She commutes from Sacramento for council meetings.

Democrats are jumping all over themselves in the Gardena area, where Republican Paul Bannai has managed to hold his Assembly seat despite a 69 percent Democratic registration. At least two Democrats of Japanese descent may enter the primary as well as the man Bannai beat two years ago, Jack Mayesh.

Assemblywoman Pauline Davis of Plumas County has announced that she will retire after one more term, but she won't be able to coast this year. Her likely GOP opponent: Chico television reporter Stan Statham, who will be armed with plenty of money and slick TV commercials.

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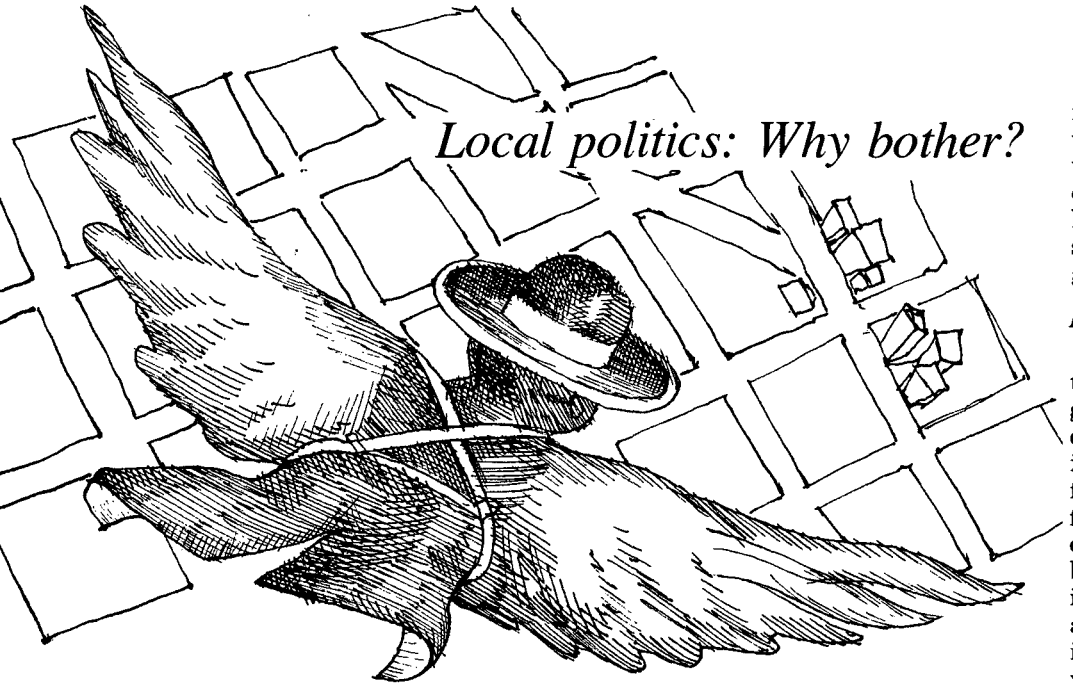

Local politics: Why bother?

The following article is excerpted from a new 95-page book entitled, How to Take Over Your Local Government (for Fun and Profit???), *published at $2.50 a copy by the Institute for Local Self-Government, Hotel Claremont, Berkeley 94705. Bob Norris is a Redwood City councilman. Ken Rowe is a reporter for the* Redwood City Tribune.

By Bob Norris and Ken Rowe

If you're turned on by the idea of getting into politics, the best place to get your feet wet is at the local level. Unless you happen to be rich, famous, or both, it's the only door open to you. If you're of the common garden variety of political aspirants, the local political scene is the place to make your debut and test your mettle. A microcosm of big-time politics, local campaigning is going to cost you effort and money, but it's still the cheapest way to find out if you've really got what it takes.

There are lots of reasons for (and against) tossing your hat in the local political ring. Some of the reasons are things you might discuss with potential voters; some are intensely private. The former include desires to continue support of existing governmental policies, to effect needed changes, to provide a different viewpoint or to alter the "balance" of the council, and to rectify various types of dissatisfactory situations in the community. The latter include political ambitions, other kinds of ego-tripping, and a desire to partake of the rewards which may accrue to the successful politician. Let's just skim a few of the reasons for running . . . .

Continuity: passing along the white hat

A council vacancy created by the retirement or death of an incumbent may establish in the minds of many electors the need to seek a replacement cut from the same fabric. The maintenance of stability, often a key to the re-election of an incumbent, can be seized upon as a campaign theme by a new candidate, in situations where a vacancy or "open seat" exists. If more than one open seat is up for grabs, so much the better. This affords the political upstart an opportunity to campaign in a more positive vein, rather than having to mount a frontal attack on the old guard.

Change: cleaning up the deadwood

This is undoubtedly the most fertile field for neophyte politicians pondering a decision to run, which is why it is often overplayed to the extent that the new candidate invites a "backlash". Nevertheless, it's an important one. In general, it involves a critical examination of "old guard thinking", coupled with a call for reform . . . .

Viewpoints: correcting political myopia

This could be subtitled, "A political balancing act." It is an especially good tack if your city council's membership is lop-sided in terms of being totally or mostly composed of central-district businessmen, real-estate agents and the like. Minority groups, the poor, the working class, professionals, the rich, and so on, all need representation. What we're getting at here is not that all segments of the population can be proportionally represented, but that representatives need to be sensitive to the needs of constituent groups . . . .

Blowing the whistle

Closely related to, but more serious than, chipping away at crusty, old-guard thinking and the underlying causes of general voter dissatisfaction is another, more persuasive, reason for running. Corruption in its many forms — graft, payola, intrusion of organized crime, bribery, extortion, blackmail, collusion with special-interest groups, conflicts of interest, and the like — is a cancer in the political system. But, while you're honing your scalpel, you'll have to be careful about keeping your own hands and nose clean.

Having what it takes

Of all the conceivable reasons for running for political office, this is the most neglected. We're conditioned to expect people to run for office because they are either dissatisfied with the present adminstration or have a special-interest ax to grind. What the political system really needs are *qualified, unleveraged* candidates . . .

Of all the possible reasons for becoming involved in local politics, perhaps the most fundamental one — idealistic, if you will, but nevertheless real — is that America's towns and cities are the basic building blocks of our national democracy, and strong, vigorous *local* governments are our primary bulwark against monolithic, centrist government. If the latter is what we need, we should have kept King George III . . . .

Local governments and local officials can be, and usually are, castigated unmercifully for just about everything that goes wrong. On the one hand, you've got to be *sensitive* and *responsive*. It takes guts. Far too many good, qualified local officials discontinue their service to the public, particularly under the strain imposed by demands on their time. Many others who could serve the public, simply never run. . . . On the other hand, unless top-caliber people have the gumption to get *involved,* it's not going to get any *better,* and it's probably going to get *worse*.

The next time you ask, "Why is it that City Hall is run by old Joe Crusty and the rest of those cronies who seem to be suffering from congenital idiocy?" — just take a long, hard look in your mirror.

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EASTERNERS SHOULD WONDER:

Would President Reagan act like Candidate Reagan talks?

By Ed Salzman

By the time Californians go to bed on the night of February 24th, they will probably know the answer to the biggest question now pervading the American political scene: How much of a chance does Ronald Reagan have of knocking off Jerry Ford and winning the Republican presidential nomination? The answer to that question will be provided that day by the voters in the state of New Hampshire, for if Reagan can't do well in the Granite State he might as well pack up the saddlebags and ride back to Pacific Palisades.

But Reagan should do well in New Hampshire because he has a good organization at work there and has the support of the most powerful person in the state, William Loeb, publisher of the *Manchester Union-Leader*. But how well? That depends not so much on the raw vote as on the interpretation placed on the returns by the network television analysts and the reporters covering the election. In 1952, Senator Estes Kefauver of Tennessee won a clear-cut victory over Harry Truman in New Hampshire and ended Truman's fading hopes for another term. Lyndon Johnson defeated Eugene McCarthy in 1968, but McCarthy's vote was so significant that LBJ withdrew from the race. And four years ago, the same thing happened to front-runner Edmund Muskie. He won the statistical election but lost the aftermath because the media analysts were far more impressed with the lesser total accumulated by George McGovern.

What if . . .?

Suppose Reagan takes 60 percent of the vote. It would be a staggering blow to Ford and would prompt an immediate growth of enthusiasm for Reagan in the other 49 states. It would also start some relief pitchers for Ford heating up in the bullpen because the moderate sector of the party wouldn't let Reagan win by default. Vice President Nelson Rockefeller already has his pitching arm limbered up, and Senators Charles Percy, Howard Baker and Charles Mathias Jr. would need little encouragement to start getting warm. Jerry Ford probably wouldn't quit after such a defeat but would try to regain credibility as a candidate in the other early primary states, like Massachusetts, North Carolina and Florida. But a 60 percent vote would give Reagan tremendous momentum that would help him even in a difficult state like Massachusetts with its liberal tradition. Florida is expected to be the second big test of strength, and it could be as important as New Hampshire.

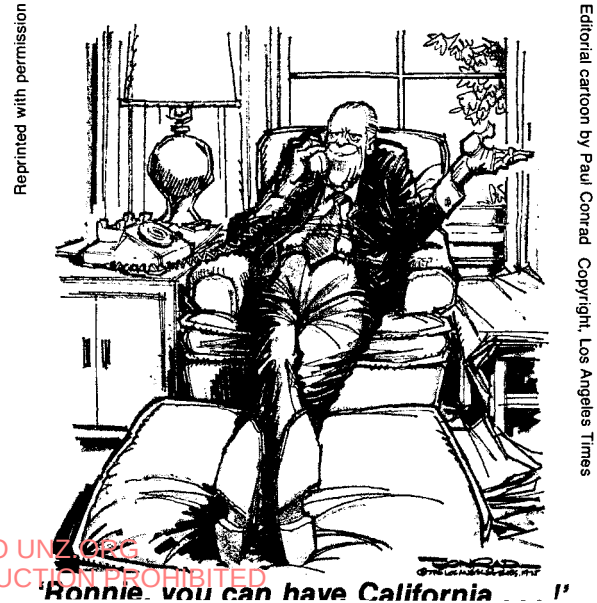
Now, suppose Reagan gets about 45 percent of the vote in New Hampshire — not a victory yet a sufficient showing to keep him going. This could indicate that the nation will see a long and bitter struggle between the two forces, a struggle that might climax with the California primary in June. Reagan is shooting for a clear win, but a 45 percent vote would not be fatal to his chances.

What if the Reagan vote were only 30 percent in New Hampshire? The former California governor would be in trouble, and it would then take a resounding victory in Florida to prevent the end of his short but colorful political career.

The Borax-peddler

Reagan has an excellent chance of winning in both New Hampshire and Florida. These are fundamentally conservative states, and Reagan's rhetoric should sell well there. But what of his chances once the primaries move into the hinterlands? There are those who believe that Reagan has no universal appeal and can win primaries only in states considered to be conservative bastions. There are also those who did not learn the lesson of 1966 in California and are still trying to paint him as an inexperienced actor without proper credentials to run for president. Governor Pat Brown thought so little of Reagan that year that he geared his campaign to defeating former San Francisco Mayor George Christopher in the GOP primary. The theory was that the public would not buy the Borax-peddler from "Death Valley Days".

But politicians and actors are cut from the same cloth; indeed, they are interchangeable. Reagan proved to be a better politician than an actor. And now he is running for president at a time when all the nation hates Washington. What better time for a man from the West who for years has been berating the "puzzle palaces on the Potomac" to be running against an incumbent straight out of the Washington Establishment and who owes his position to



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'Ronnie, you can have California . . . !'

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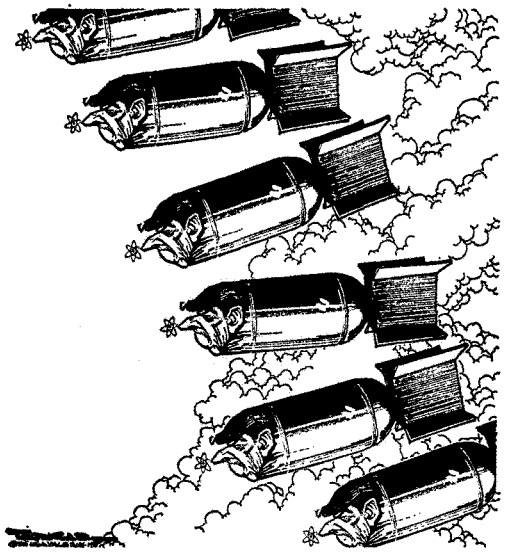

Editorial cartoon by Paul Conrad

The Reagan Foreign Policy

Richard Nixon? If Reagan shows well in New Hampshire, the chances are excellent that he will be able to dazzle the rest of the nation as well with his anti-government line.

Ever since it became apparent that Reagan would challenge Ford, there has been speculation that the showdown would come June 8th in California. That could be the case, but there is increasing reason now to believe that the early primaries will be conclusive and that one or the other will have dropped out before June. The Illinois primary, pitting an incumbent from a midwestern state against a native son (Reagan was born on February 6, 1911, in Tampico, Illinois), could be the pivotal confrontation. That may be wishful thinking among Ford supporters, who think Illinois would be an ideal battleground for Ford and who hope that Reagan cannot deliver a knockout blow in the winter primaries.

But if the contest should ride on California, what of Reagan's chances? The Ford organization, headed by Attorney General Evelle J. Younger and state GOP chairman Paul Haerle, has done an excellent job of lining up big names for the President, including many former Reagan backers. A Ford man, Charles Reed of San Marino, won a contest last month for the national committeeman seat vacated by Bill Banowsky, president of Pepperdine University. The loser was Supervisor Pete Schabarum of Los Angeles, a Reagan supporter. Unfortunately for Ford, the party's big names do not add up to victory. Many party workers are still with Reagan. And Mervin Field's California Poll shows that Reagan has moved ahead of Ford among Republican voters. The trend doesn't look good for the President.

Californians will probably be swayed more by what Ford says and does during the next five months than by the Reagan campaign. Californians know what to expect from the former Governor; they alone among Americans have a feel for what kind of president he would become. And what Californians know might come as a shock to the rest of the nation, which pictures Reagan as a rather slick spokesman for the conservative line previously associated with Barry Goldwater. Reagan has spoken out sharply about the need for curtailing the power of the Washington bureaucracy. He says he wants to cut the federal budget by some $90 billion, reduce taxes by 23 percent, and let the states worry about programs in health, education and welfare that have been taken over by Washington.

As a candidate in California, Reagan talked along the same conservative line. But what he did once in office didn't always match what he said on the dinner circuit. As governor, Reagan was a pragmatic compromiser. Who can't recall the extrication of his feet from concrete on the issue of withholding income tax once he realized that it was the only practical thing to do? Or his bargaining with such Democrats as Assembly Speaker Bob Moretti and Senator Anthony Beilenson on such major issues as tax and welfare reform?

'President Reagan'

Based on Reagan's eight years in the Capitol's corner office, what could Americans expect from a Reagan presidency? They would get an efficient White House. Reagan would delegate authority to key aides and preside as a chairman of the board making crucial decisions after consultation with his cabinet members and key advisers. He would not delve into detail the way, for example, a Jerry Brown might be expected to do under similar circumstances. The public would probably get one of its most visible presidents. Reagan is very effective at press conferences and he would hold so many of them that reporters might even think he was overdoing the sport a bit. He would do well at these sessions because he absorbs briefings well and knows how to handle embarrassing questions. ("Gee, fellows, you know I can't tell one river from another".) He would be a formal president, and the pecking order in the White House would be clear.

What kind of appointments would Reagan make? The key jobs would probably go to individuals who, like Reagan, are conservative in principle but realistic about the necessity of making government work. Who would have guessed that one of Reagan's most successful appointments was a former auto-dealer from Pasadena as director of finance (Verne Orr)? The top aide might well be the same person who filled the post of executive assistant in Sacramento, Edwin Meese III, now an executive with the Rohr Corporation in San Diego. Meese, a former Alameda County deputy district attorney, handled the mechanics of the governor's office so efficiently that Nancy Reagan rarely had to hold dinner. And if the California example were followed, the appointees would come from the hinterlands and not from the Washington Establishment.

Reagan and reality

As president, Reagan would be responsible for an entire area of government that cannot be compared to the operation of the governor's office in Sacramento — national defense and foreign affairs. Reagan's speeches might give one the notion that World War III would break out an hour after the inauguration. He has been a consistent hawk and has taken a hard-line against a policy of détente with Communist states. He has also generally sided with the military in the search for weaponry.

The California precedent suggests that Reagan would not be nearly so hawkish when he had the power to push the button as when called upon to shoot only from the lip. And he knows as well as anyone that it is impossible to both give the Pentagon *carte blanche* and hit hard at the size of the national budget. When the chips are down, even Reagan's rhetoric can take a sudden turn to the center.

But campaigning has little to do with such realities. The people of New Hampshire, Massachusetts, Florida and Illinois will know little about Reagan the pragmatist. They will see Ronald Wilson Reagan do what he does best — tell people with a conservative bent precisely what they want to hear: that he's the man to halt the centralization of power in Washington and return the American government to the people. Especially in these times that line sells well. And that's why Jerry Ford has a lot more to fear about the New Hampshire returns next February 24th than does Ronald Reagan.

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"The verdict ruled that nothing in federal law gives California the right to impose any conditions – for water quality, environmental protection of any other purpose – upon any federal agency."

WILL BROWN RESPOND?

The federal takeover of the state's dam business

By TOM HARRIS

Forty-two years ago the State of California, after judiciously planning its water-management future, pleaded with the federal government to rescue it from a starving bond market and come in to help build the world's most elaborate system for storing and conveying water. The state couldn't sell the bonds to finance the massive California Water Project, but the Fed was quick to oblige. Now, the out-of-state guest is not so welcome. Washington has gorged itself on most of the choicest morsels in the state's river system and, by virtue of a decision handed down October 9th by U.S. District Court Judge Thomas J. MacBride, has now been given *carte blanche* to order up what is left of the menu. That verdict in effect ruled that nothing in federal law gives California the right to impose any conditions — for water quality, environmental protection or any other purpose — upon any federal agency. In a word, the state is "powerless" to plan or manage the future use of its water resource.

A stunned silence followed MacBride's decision. Now, environmentalists are demanding bold action from Governor Brown to fend off what most observers rate as the most severe challenge to state's rights and the most dangerous threat to the valuable environment of the San Joaquin-Sacramento Delta in many a year. Even delta water-users and contractors for water from the California Water Project are showing joint concern. And the Governor is on the spot. Those environmentalists who worked hard to help him win election, and who have been closest to his administration since it took office just a year ago, are now beginning to make demands.

Environmentalists' challenge

Thomas J. Graff, regional counsel for the state's most knowledgeable environmental water lobby — Environmental Defense Fund — and who helped put part of the administration's team together in the early going, has taken the strongest stand. In a letter to Brown, Graff wrote that his advocacy of the state position thus far has been "wholly inadequate". And he urged Brown to throw himself into the fight, "to get tough with the federal government" and the "arrogance and heavy-handedness of the Bureau of Reclamation". Graff concluded with this challenge: 'We look forward to your response. It should give us all a good indication of your commitment to environmental protection and to the legitimate exertion of state authority."

That is as close to a formal break with Brown as environmentalists have come. The "get tough" stand being sought by Graff, the Sierra Club, Friends of the River and other conservation-oriented groups is for Brown to state his opposition to the three largest bureau projects in the state — Auburn and New Melones dams on the American and Stanislaus rivers, and the San Felipe Division of the Central Valley Project. "That is the very least . . . , the instinctive thing we were expecting," said Rob Caughlan, the lobbyist for the state's "river rats" who helped put a strong volunteer force together for Brown's campaign. "There is every reason to oppose spending another federal dime on water projects here," Caughlan continued, "until we at least find out if they are willing to strive for the same water-quality goals and management objectives as the state wants for all its people."

Clatter within

Not all of the clatter has come from outside the administration. W.W. Adams, chairman of the Water Resources Control Board, leveled the most heated blast at the federal bureau. "We are in a state of war," he said several weeks after MacBride's decision. "It is a very real water crisis."

Those are strong words for Adams, whose normally con-

Two views of the STANISLAUS RIVER AT THE MELONES DAM

Old dam at left, artist's conception of controversial new dam at right.

U.S. Army Corps of Engineers photo

The author, who writes on environmental matters for the San Jose Mercury, *has written on "no-growth" and water needs for the* Journal.

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servative style has carried him through both Republican and Democratic administrations without hint of partisanship or hyperbole. "If the bureau continues to approach water-quality protection as it has in the past," added Adams, "and when we have another dry cycle like the one from 1928-34, it will be a disaster. The ecology of the whole San Francisco Bay and delta system could be ruined and we could wind up forcing our state water customers to take sharply reduced deliveries while federal customers would be getting all the water they want."

No one doubts that the Bureau of Reclamation will offer cooperation in the wet years, but when the crunch comes, however, ("as surely it must," says Adams), there is doubt that the bureau will give up any of its water to share the shortage and protect the delta. "Judging from its record," Adams said, "I have absolutely no confidence that the bureau will be the least bit responsive." And not only is the delta's environment at stake; the traditional holders of riparian rights — land-owners along rivers and streams — and state contractors may also be in trouble. If the bureau can't be compelled to protect minimum environmental standards by cutting back diversions in dry years, the state will have to use every drop of water from its own project to serve both customers and the environment.

Only there isn't nearly enough to go around, according to Adams. "Riparian-right holders and state contractors no longer can feel secure," he warned. "In-stream uses of California water now are subject only to the whim (and I use the term advisedly) of a faceless bureaucrat. There can be no question that this is the most important water-rights decision in this or any other state's history. It totally pre-empts the state from any role in its own water-management program — in effect, from controlling its own destiny."

Resources Secretary Claire Dedrick has publicly chided the bureau and its commissioner, Gilbert Stamm, "for paying more attention to the demands of a few congressmen than to the entire state of California." She called on the bureau to sign an understanding with the state that it will comply with the state's water-quality standards. In the course of an important water-policy meeting in November, Dedrick scolded Stamm for his speech, "Who speaks for California?" In it, she says, Stamm maintained that the state was changing its mind regarding the bureau's continued expansion of the Central Valley Project — congressmen calling for one thing and the state administration for another — and that his agency is no longer sure to whom it should listen. "There is not one shred of doubt about who speaks for the state of California," Dedrick responded later. "The Governor does — not just a few regionally conscious congressmen. He knows who speaks for the state," she added. "Stamm's only problem is that he doesn't like what he's hearing from us."

New state emphasis

What he and the bureau have been hearing from her, from Adams and from Ronald Robie, director of the Department of Water Resources, is that the federal government must agree to a fair and balanced use of state waters, a sharing of environmental protection, and consideration not only of water diversion but of water quality, fishing, boating and other uses of the resource.

There has been an obvious change in California's water development program since the advent of the Brown administration. The state is putting much more emphasis on the need for multiple use of water, including reclamation and re-use of sewage and tapping underground water. That new emphasis, the strictures it placed on the bureau's use of state water — at least, until MacBride's decision — has eroded much of the potential for future expansion of the bureau's water projects. Under Regional Director Billy Martin, the bureau has refused to sign an agreement with the state to share in the balanced management concept. Now, with a court ruling in its favor and concerns expressed privately by Brown's closest advisors that the appeal process may be no more successful in giving the state any power over the Fed once Congress has authorized a certain project, few options are left to the state.

Traditionally, neither the bureau nor the U.S. Army Corps of Engineers continues to pour money into a project if there is outright formal opposition to that project from a state administration. There are always lots of other places in the United States where such expenditures are wanted. But so far, there has been no sign of a change from either of the state's senators, Alan Cranston or John Tunney; both will maintain their support of the federal projects unless the state formally changes its position. However, neither office seemed well informed or much concerned about the impact of Judge MacBride's decision.

Eyes on Sacramento

Attention has since shifted directly to Brown's office. While the Water Resources Board's legal staff is searching for an escape clause in the water rights it granted the bureau in huge chunks, and while maneuvering to get Congress to reauthorize all federal projects with conditions to comply with state standards, little hope is held at this point that the state's position will eventually prevail. The next move is up to Governor Brown.

How state's water control dried up

United States District Court Judge Thomas J. MacBride ruled on October 9, 1975, that the State of California has no legal right to impose any conditions upon how the federal Bureau of Reclamation operates water projects once they have been authorized by Congress. The ruling concerned New Melones Dam across the Stanislaus River northwest of Sonora. That dam, destined to rise as tall as a 62-story building, is being constructed under direction of the U.S. Army Corps of Engineers, but the Bureau of Reclamation will operate the project.

MacBride's ruling struck down Decision 1422 by the State Water Resources Control Board, conditioning the amount of water that could be stored behind New Melones. The legal precedent it sets also overturned other key decisions relating to the lower American River (operation of the Auburn Dam and Folsom-South Canal) and the Sacramento-San Joaquin Delta.

Under MacBride's ruling the federal bureau has no legal obligation to regulate its water diversions to meet state standards intended for whatever reasons — environmental, ecological or recreational. Unless the decision is overturned (the state has already filed an appeal with the 9th Circuit Court of Appeal and indicates that it will go all the way to the U.S. Supreme Court, if necessary), state officials concede that they can do nothing to regulate or condition future federal water-development projects in California.

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DESPITE LOCAL GOVERNMENT . . .

Changing of the tide in the Lake Tahoe basin

By GINNY McPARTLAND

Conservation forces working to stop environmentally damaging development at Lake Tahoe since the early 1960s are finally making some winning scores. And, according to environmentalists, those successes are coming not a minute too soon. "This was our last chance to save Lake Tahoe," commented Gordon Hooper, who chairs the California Tahoe Regional Planning Agency. The agency recently adopted a growth-restricting regional plan covering two-thirds of the Tahoe Basin. "It's the most wonderful thing that could have happened," Hooper added, "but it should have happened 20 years ago, before intense development began."

The California Tahoe Regional Planning Agency, or CTRRA, an agency established even before the bi-state Tahoe Regional Planning Agency in 1967 to review public works projects, was strengthened by California legislation in 1973 to do just what it accomplished this fall. Legislation sponsored by the late Edwin Z'Berg, a Sacramento assemblyman who long championed environmental causes, gave the CTRPA the power to impose restrictions on development at Lake Tahoe that the bi-state TRPA had failed to do.

Bloc rule

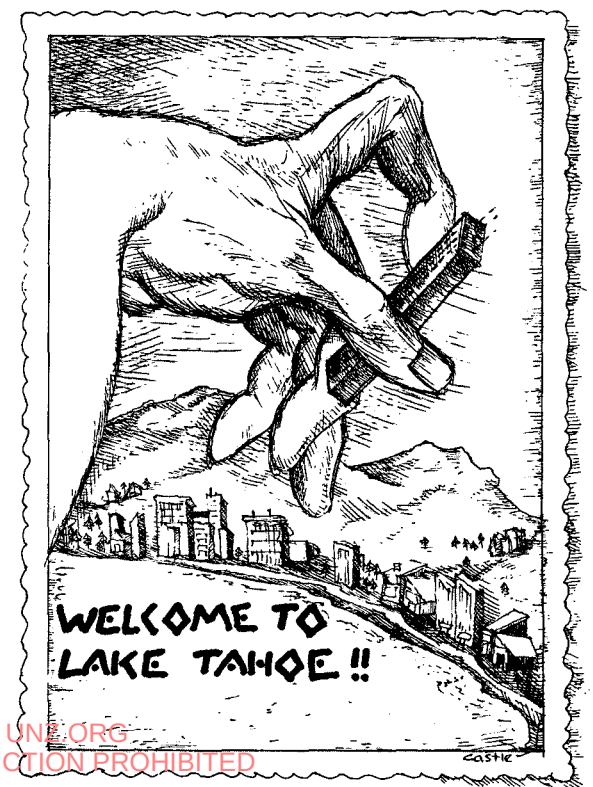
The TRPA, established by both the California and Nevada legislatures through the Bi-State Compact ratified by Congress, has been stymied in its efforts to stop development — especially subdivisions and casinos — by the dominance of the TRPA board's local-agency representatives. The board's membership includes representatives from the three Nevada counties involved and three California local agencies, a statewide member appointed by each state's governor, the resources agency secretary from both states and a non-voting appointee of the President. (Douglas Leisz, regional forester, presently holds the latter chair.) The requirement that a majority of both state delegations must approve decisions, plus a rule that positive action must be taken within 60 days, have resulted in clearance of projects supported by only three board members. Approval of a controversial shopping center at Tahoe Vista, on the North Shore, is an example of this, and was perhaps the last straw. As a result, the CTRPA was strengthened. That development, which is not in accordance with the TRPA general plan, was approved with six of the 10 members in opposition.

The CTRPA governing board is composed of local representatives from El Dorado County, Placer County and the City of South Lake Tahoe; state Resources Agency Secretary Claire Dedrick; Gerald Poznanovich, the Northern California representative appointed by former Governor Ronald Reagan; Jan Chatten-Brown, the Southern California representative appointed by Governor Edmund G. Brown Jr.; and Gordon Hooper, Tahoe City real-estate broker elected chairperson by the other six board members. Dedrick and Chatten-Brown are strong environmentalists and represent that point of view on the governing board. Before becoming resources secretary, Dedrick was active in the Sierra Club and a key figure in the movement to conserve San Francisco Bay. Brown is a Los Angeles attorney specializing in environmental issues.

Court challenge

The CTRPA plan prohibits any new subdivisions on the California side of the lake until 85 percent of the present lots are built on, and it proposes a transportation plan discouraging the use of the automobile. It passed on a 4-3 vote. The local representatives, Jim Henry of Placer County, John Wynn of the City of South Lake Tahoe and Thomas Stewart of El Dorado County, opposed the plan, calling it unconstitutional, while the three statewide representatives and Hooper voted its passage.

The CTRPA's legal counsel, Bob Wright of the state attor-



The author, an Oroville-based free-lance writer, worked until recently as a newspaper reporter at Lake Tahoe.

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ney general's office, advised the board that the plan is constitutional. But, following its adoption, the local representatives announced that they will challenge its constitutionality in the courts.

Jim Henry, who shows concern for the big developer whose property has been down-zoned by the plan, claims that it is a violation of the developer's rights to prohibit him from building while the single-family dwelling lot owner is free to build. Single-family homes may be built under the plan, but only because the board members did not think it fair to tell small property-owners that they could not build a home at Tahoe.

The board was trapped by the fact that the bi-state agency had approved the subdividing of so many lots that approximately 20,000 undeveloped home-sites existed at the time of the plan's adoption. Although the plan allows development of these lots, the possible consolidation of lots in lightly built-out subdivisions is proposed for future review. The CTRPA staff is presently taking a census of the lots, hoping to assess the potential for exchanging development rights from one subdivision to another so that the homes might be concentrated in a smaller area. Developers will also be urged to buy back portions of a subdivision and to build clusters of homes in one section. Public acquisition of lots is also being considered.

Tax base

The local governments involved are questioning the plan largely because of concern for their tax bases, which they expect to shrink. Down-zoning of property generally results in a loss in value and, in turn, the assessed value for tax purposes. Hooper points out, however, that other property in the basin, no longer threatened by over-development surrounding it, will increase in value, perhaps balancing out the tax revenues. Regarding the "rights" of developers and businessmen to build what they want on their property, that latitude was restricted by adoption of the first zoning laws, observed Jim Bruner, executive director of the League to Save Lake Tahoe.

Local representatives on both boards probably reflect the views of local residents — mostly business people — in their refusal to approve growth restrictions proposed by their non-local colleagues. They believe that growth is good for their economy, and the South Lake Tahoe Chamber of Commerce wants to see Lake Tahoe grow. The *Tahoe Daily Tribune* at South Lake Tahoe, which also owns a twice-weekly paper on the North Shore, has resisted growth restrictions in the name of home rule and free enterprise. The environmentalists counter that the continued degradation of Lake Tahoe and its surroundings will adversely affect business.

Meager resources, early mistakes

The CTRPA, coming in late to correct other agencies' mistakes, has meager resources of its own to get the job done. Its staff is small and relies largely on volunteers and the resources of other agencies, including the bi-state TRPA, the California Water Resources Control Board and the University of California.

The mistakes made by the TRPA and county governments in the basin include allowing construction of commercial and residential buildings on lands that should have been left undeveloped — marshes, meadows, natural stream beds and sloping grades. Ground-water run-off and erosion result in nutrient-rich silt flowing into Lake Tahoe and speeding up eutrophication, which eventually turns the blue waters green. Despite claims by Henry that a "natural mechanism" will repair damage to Lake Tahoe, the environment is extremely fragile. The steepness of the slopes and the short growing season, which intensify the erosion problem when soils are disturbed, and Tahoe's bowl-like setting and Los Angeles-style temperature inversions that trap automobile emissions all contribute to this fragility.

The CTRPA plan, allowing less development and fewer automobiles, aims to reverse the degradation of the Tahoe environment. Other agencies are working to mitigate the effects of development on the water quality.

The number-one water-quality problem at Tahoe now is the degradation caused by erosion, siltation and ground-water run-off. The TRPA recently received federal funds to study this type of pollution and to find ways to eliminate the most significant threat to the lake's purity. Storm water running off of highways, streets and parking lots and carrying with it oil, grease and other pollutants into the lake is a particular concern. It has been suggested that some sort of treatment for such waters will have to be provided, especially in the area of the casino parking lots at South Shore.

Sewage solution

Pollution of the lake by sewage, now thought to be a concern of the past, once presented the most serious threat to Lake Tahoe's pristine quality. Septic tanks have been outlawed in the basin and federal and state funds committed to building a $30 million tertiary sewage-treatment plant serving the North Shore, Truckee and Squaw Valley-Alpine Meadows. South Lake Tahoe's treatment facilities were completed several years ago.

The North Shore plant was the subject of controversy for three years before winning approval last summer. The Sierra Club and the League to Save Lake Tahoe fought successfully to have the pipeline down the Truckee River sized so as not to induce growth in the North Tahoe area. Once the plant begins operation in 1977, its capacity will have been reached. That means that local sewer officials will be unable to serve owners of the undeveloped lots in the district, who have been saddled with bond assessments and standby sewer charges. Of the 11,000 unimproved lots in the region, only one-third, at best, can hook up to the new system.

Many residents complain that the conservationists have no business sticking their noses into the planning of a project for the people of Tahoe. That feeling may be understandable, but the largest land-owner in the basin happens to be the public, and the public also is paying for 87.5 percent of the project's cost. (The United States Forest Service was widely criticized locally for seeking a priority allocation for its bid for sewer capacity in the new plant to serve proposed campsites, but potential campers from across the country will have paid a major portion of the plant's cost.)

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While the battle between local interests and conservationists has delayed establishment of effective controls until recently, American taxpayers, who own 62 percent of the basin, have had little say in the future of this natural resource. Only 30 percent of the Tahoe basin is owned by private interests. Under such circumstances, groups such as the Sierra Club tend to intervene when decisions are being made, especially when planning agencies seem to them to be inadequately representing the larger public interest.

Adoption of the CTRPA plan was overwhelmingly favored by out-of-basin Californians. Hooper said that he received 1,500 letters in favor of the plan and only 80 against it. People who see the lake as a natural resource that can never be renewed are all for what CTRPA is doing, Hooper said.

How many people?

Environmentalists, especially those owning expensive, already-developed Lake Tahoe property, are often accused of taking an "I've got mine" attitude regarding land-use. But the fact is that the Tahoe Basin can hold only so many people at any one time. The CTRPA plan allows for doubling the present peak population from 108,000 to 232,000. (Previous basin plans projected 800,000 by 1980; the TRPA plan allows for about 300,000.)

Richard Heika, executive director of the bi-state TRPA, believes that cutting the population at Lake Tahoe is not the solution to the land-use dilemma. "Making it more difficult to come to the lake only makes it more expensive," Heika said. He suggests finding ways in which more people can enjoy Lake Tahoe, perhaps by providing easy access to the more scenic areas and making it convenient for visitors to give up their cars. Heika has criticized the CTRPA transportation plan, which discourages the use of the automobile, on the ground that it provides no convenient alternative mode of transportation. Parking lots at points of entry to the basin, as proposed by CTRPA, would leave people without a car when looking for a place to lodge, he pointed out.

Heika and the TRPA governing board have their own transportation plan, which the California members have refused to accept. The plan calls for construction of a bypass road at Stateline in South Lake Tahoe to relieve the congestion on Highway 50 at the Nevada casinos and "upgrading" the highway from South Lake Tahoe Airport to Stateline. No highway money is available for such a project. In fact, Governor Brown has made it clear that no money will be spent to improve roads in or to the Tahoe Basin.

In addition to the proposed parking lots at basin points of entry, the CTRPA transportation plan calls for creation of a state transportation authority to operate them, charge user fees from motorists who choose to drive through the basin, and provide mass transit for those who park instead. The TRPA transportation study, environmentalists complain, proposes accommodation of excess automobile traffic, rather than discouragement of it.

War between the states

The different outlook of CTRPA stems from the fact that it does not directly represent casino interests. Bruner goes so far as to deny that there really is any bi-state agency at all — only Nevada rules. The Nevada TRPA has approved four new high-rise casinos at Stateline. The League to Save Lake Tahoe has filed legal action in all four cases, but each one has authority to proceed with construction. One casino framework has stood unfinished for some time while the builders of two others recently won a court battle that had halted construction.

Although those casinos may never be built, the problem remains that California is virtually powerless to stop anything Nevada, as a sovereign state, decides to approve. (Shortly before his death last September, Assemblyman Z'berg proposed the legalization of gambling in the foothills of Placer and El Dorado counties in California, contingent upon Nevada's approval of another establishment at Stateline. The intent was to minimize the traffic to the lake by gamblers for whom Lake Tahoe is incidental to the casinos they frequent. It was also designed, however, to discourage construction of additional casinos at the lake to preserve Nevada's monopoly on gambling.) Since Stateline casino development has a direct effect on traffic congestion and the smog it creates, Nevada must be held responsible for its share of the pollution of California air, Jim Bruner maintains.

Having indicated that it has no interest in the develop-

Please see TAHOE, page 27

Agencies in the Tahoe basin

Tahoe Regional Planning Agency: A California and Nevada bi-state agency, TRPA reviews all significant public and private projects in the Tahoe Basin, especially for environmental implications. Functions include adopting and updating a regional plan and ordinances to implement it. The agency must rely on the district attorney in the county of violation for enforcement.

California Tahoe Regional Planning Agency: A California state agency, CTRPA has jurisdiction on the California side of the lake to review all significant public and private projects for their effect on the environment and compliance with a regional plan to be adopted by the agency. The CTRPA was formed to deal with environmental problems not addressed by TRPA. Enforcement of land-use ordinances is done in conjunction with the state attorney general's office.

Nevada Tahoe Regional Planning Agency: A Nevada agency that reviews all gaming projects.

Lahontan Regional Water Quality Control Board: A branch of the State Water Quality Control Board, its members monitor all waste-dischargers in the basin, including sewer districts.

U.S. Forest Service: This federal agency owns 62 percent of the basin's land and manages it for many uses, including recreation. The Lake Tahoe Management Unit's planning staff determines the best land uses for the future.

California Department of Parks and Recrea-

About 8 percent of the basin's land is maintained by the department for recreation and open space.

Placer County, El Dorado County and the City of South Lake Tahoe in California; Douglas, Washoe and Carson City counties in Nevada: The local agencies each have a general plan dealing with the Tahoe portion of the respective areas and an urban design study for population centers. They are responsible for reviewing projects for architectural quality, developing projects, enforcing sign-control ordinances, and prosecuting violators of the TRPA ordinances.

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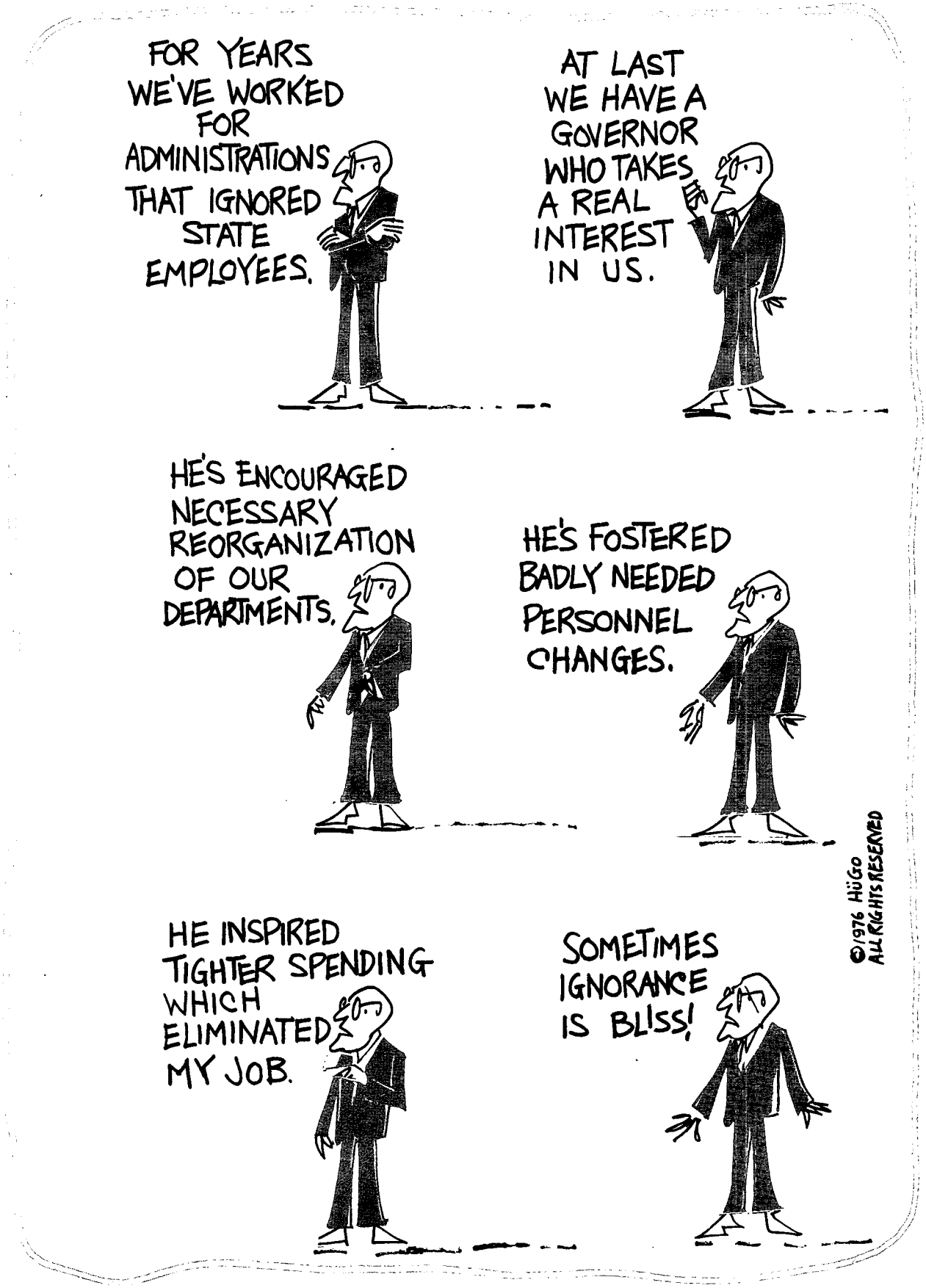
Caucus

by HüGo


FOR YEARS WE'VE WORKED FOR ADMINISTRATIONS THAT IGNORED STATE EMPLOYEES.
AT LAST WE HAVE A GOVERNOR WHO TAKES A REAL INTEREST IN US.
HE'S ENCOURAGED NECESSARY REORGANIZATION OF OUR DEPARTMENTS.
HE'S FOSTERED BADLY NEEDED PERSONNEL CHANGES.
©1976 HüGo ALL RIGHTS RESERVED
HE INSPIRED TIGHTER SPENDING WHICH ELIMINATED MY JOB.
SOMETIMES IGNORANCE IS BLISS!

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SIRHAN "YES", MANSON "NO"

How wide did Procunier open the state's prison gates?

By Roland Dewolk

On February 23, 1986, Sirhan Sirhan, convicted assassin of Robert Kennedy, is scheduled to be released from the California prison system. Last May, when the release date was announced, Treasurer Jesse Unruh (who was with Kennedy at the time of the shooting) called the action by the Adult Authority "the height of assininity" and demanded the firing of the two men on the parole board who decided to release Sirhan. Unruh argued that Sirhan's case should not have been considered like that of any other murderer because he committed a crime, not against one person, but against the collective society.

If Sirhan's release is 11 years away, can Charles Manson and Juan Corona be far behind?

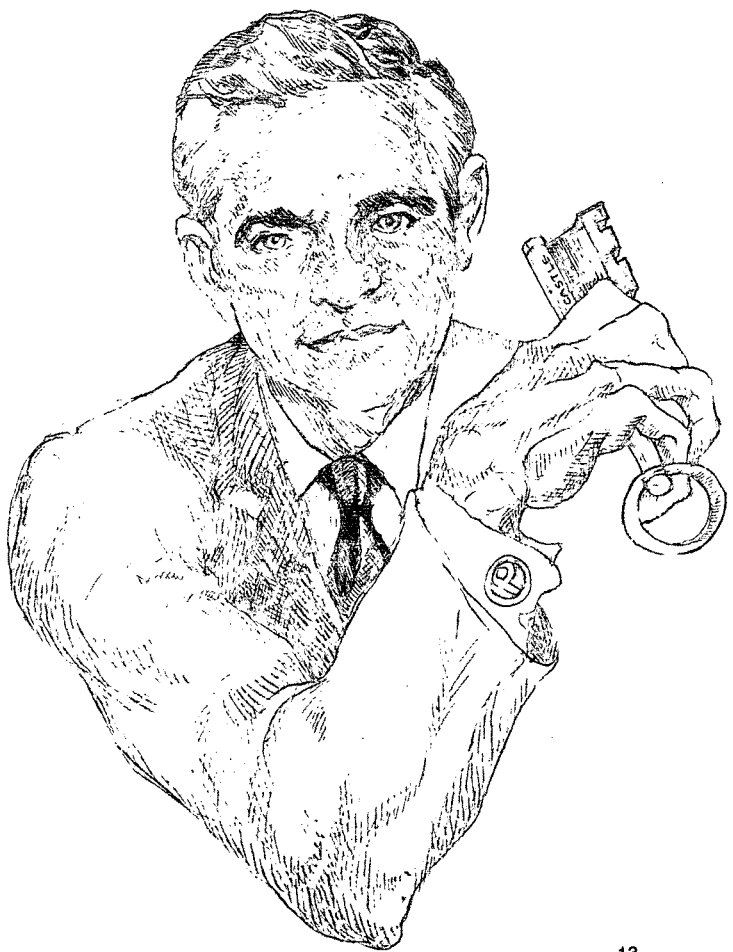
Hardly. The Adult Authority set a release date for Sirhan under its new policy that almost eliminates the state's controversial indeterminate-sentence practice. This was based on the theory that Sirhan committed, in effect, a murder of passion not much different from the slaying of a wife by a husband with no other apparent violent tendencies. But for Manson and Corona — and perhaps another 2,000 men in the state's prisons — the indeterminate sentence still remains. They have life terms until and unless they can make an extraordinary showing to the parole board that their release would not endanger society.

Notion of rehabilitation

The indeterminate sentence was established in 1917 as a reform. Under it, a judge sentences a criminal to a term in the prison system ranging from, say, three years to life. The Adult Authority then decides when to release the prisoner, and that can be any time from one-third of the minimum sentence to the maximum (in this case one year to never). The rationale behind the law rests with the concept of the prison as an institution of rehabilitation. Under this theory, the Adult Authority can watch a felon improve himself and make himself more worthy of return to the streets. The judge who does the original sentencing, it was argued, cannot determine how well a prisoner is apt to do and therefore is not qualified to dole out a fixed sentence following trial.

In recent years, however, the notion that prisons can and do rehabilitate has been increasingly challenged. The prevailing concept of penology in California today is that prisons should punish and aspire to little more. In addition, there is evidence that the indeterminate sentence spawns violence in prison by building frustration among the incarcerated and thus is actually a barrier to reducing crime. It has been apparent for several years that the indeterminate sentence is on the way out, to be replaced by a fixed-term system. In 1971, the Adult Authority started to move in that direction by fixing some terms within the first six months of incarceration. Until then, a prisoner typically waited two years before getting an idea of when he would get out.

Wilmer Leon, administrative officer for the Adult Authority, says that no statistics prove the case but violence did decrease at this time, when more prisoners were also being released and work-furlough programs and "halfway" houses were initiated. There was a tremendous out-



This article was researched in part by Roland Dewolk, a former Journal *intern and a history graduate of the University of California Berkeley.*

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cry from some, including state Senator H.L. Richardson, that too many dangerous prisoners were being released to commit new violent crimes. And he could point to specific cases whenever a furloughed prisoner committed a crime.

Reagan's crackdown

Ronald Reagan's administration cracked down. The Adult Authority returned to its old ways: Fewer prisoners were given release dates, prison population increased — and so did criminal violence. (This was the time of the "Soledad Brothers" and George Jackson.)

The man in charge of the prison system during the Reagan years was a career correctional officer named Raymond K. Procunier. He was charged with the almost impossible job of keeping the prisons cool and pleasing his boss during this time. [See "The Great Prison Debate," *CJ*, July 1974.] Procunier's delicate dance under Reagan made such an impression on his successor, Edmund G. Brown Jr., that he named Procunier to head the Adult Authority fully aware that "Pro" would start phasing out the indeterminate sentence. Procunier's Reagan days cost him Senate confirmation through opposition from the left and right, and he is scheduled to leave office at the start of 1976.

As head of the probation system, Procunier established a new method of processing prisoners. His goal was to tell about 90 percent of the prisoners, within four months after they started serving time, when they would be released. First, he had to set up some standards under which release dates would be set. The Adult Authority established brackets for each offense. In first-degree robbery, for example, the typical sentence is 30-36 months for a simple case, 36-44 months for an aggravated case involving violence, and time is added for prior offenses and for crimes committed following incarceration, and for concurrent and consecutive sentences.

Backlog of prisoners

There has lately been a great outcry that Procunier has been cleaning out the prisons and allowing felons to return to society inadequately punished. The statistics show that Procunier is merely returning the parole system to where it was before the Reagan crackdown of 1972-74. In 1973 and 1974, the Adult Authority under Ray Brown, a former Oakland deputy police chief, brought the release rate to its lowest point since the 1950s. This meant that during the last two Reagan years, about 5,000 prisoners a year were released. That compares with 6,000 to 8,000 in previous years. A "backlog" of perhaps 5,000 prisoners built up, and these are the prisoners now going free under Procunier. An estimated 10,800 will be released this year, cutting the total male prison population to 17,000 by year's end, compared to 21,500 in late 1974. (The Department of Corrections feels that the total will start to rise gradually in 1976 after this "backlog" is eliminated.)

New inmates are getting release dates within a few months of incarceration. Dates have been set for virtually every prisoner with hope of being released, including Sirhan Sirhan. The indeterminate sentence is obsolete — except for the 10-15 percent having heavy psychological problems or great potential for violence. For convicted murderers like Charles Manson and Juan Corona, the indeterminate sentence still applies and is tantamount to a life sentence.

Supreme court ruling

Procunier feels that his reforms have reduced prison violence and produced a more humane sentencing system. A report on the effects of the new procedure will be issued in March, one year after it was instituted.

Even if the Adult Authority wanted to return to the old system, it would no longer be able to do so. This is because the state Supreme Court ruled last June that holding a felon beyond a time proportionate to the crime constituted cruel and inhuman punishment. While the decision, in *Rodriguez* v. *California*, did not flatly erase the indeterminate sentence, the court directed the Adult Authority to set release dates "as soon as possible". It is generally agreed that six months after entry into prison will satisfy the court. For Procunier, this ruling legitimized his reforms.

But the administrative action and the court's ruling do not satisfy those in the Legislature who have been fighting for a law eliminating the indeterminate sentence. There are those who claim that Procunier's action was illegal because such policies must be established by the Legislature and not by executive fiat. Senator John Nejedly, a Republican and former district attorney of Contra Costa County, has led the fight against the indeterminate sentence. Nejedly, chairman of the Senate Select Committee on Penal Institutions, proposes a system, under his SB 42, that is similar to the plan instituted by Procunier, requiring the setting of release dates within the first six months for all but the most recalcitrant prisoners. He would also abolish the Adult Authority and the Women's Board on Terms and Parole and establish a new Community Release Board. Governor Brown has indicated that he would like to see the Legislature wait at least until March to give the present system an adequate test.

Legislative rivalry

The Nejedly bill sailed through the Senate but was shelved by the Assembly Committee on Criminal Justice, despite the fact that most of the members of the lower house committee favored its basic concepts. The opposition included, for a variety of reasons, the State Bar, the Peace Officers and District Attorney's associations and the American Civil Liberties Union. (The police thought the bill too lenient, the ACLU claimed it was too tough.) Prisoner groups endorsed the bill and are upset at the ACLU for working against the measure. (Willie Holder, president of the Prisoner's Union, called the ACLU action "an outrageous, elitist act.")

But the prime reason why the bill was stalled has to do with a familiar legislative problem: pride of authorship. The staff of the Criminal Justice Committee, chaired by Assemblyman Alan Sieroty, prepared another bill, AB 1440, abolishing the indeterminate sentence. It was killed in the Assembly Ways and Means Committee, but Sieroty nevertheless refused to support the Nejedly proposal. Sieroty's staff indicated that the Nejedly measure was too harsh and expects to include some amendments in January when the bill will be reconsidered. Whatever the claims, it is apparent that a rivalry developed between the staffs of the two committees — if not between the legislators themselves.

As far as the prisoners are concerned, it will make little difference whether a bill is enacted next year. The Prisoners' Union wants the bill because the current practice can be changed by a new administration just as it was by this one. Nejedly is worried that the measure's chances of passage may be diminished in election year 1976, but Procunier feels that it is important that legislation be enacted to give his policies the permanency of law.

Meanwhile, the indeterminate sentence may remain legally alive, but it is clearly mortally wounded.

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Controller Ken Cory and the cloud of suspicion

By CARLA LAZZARESCHI

State Controller Ken Cory's six-foot, seven-inch frame was perched on an upholstered chair in his corner office in the state Capitol. One of his cowboy-booted feet was on a coffee table in front of him, the other rested on the blue carpet. Behind him hung an oil painting of Jesse Unruh, the former Assembly speaker and current state treasurer and the man who is perhaps most responsible for transforming Cory from a legislative aide in 1963 to the state's chief fiscal officer in 1975.

Cory was staring down at his hands, tensely held fingertip to fingertip, and concentrating on the question I had just asked him: Who are your political heroes and anti-heroes?

"Well," he started in slow, measured words. "I don't want to mention names of people I consider anti-heroes. I would just prefer to say that I consider anti-heroes people who deal with a large degree of hypocrisy — people who speak one way and act another."

Pragmatism vs. idealism

Political hypocrisy was a subject Cory talked a great deal about during our interview. It is also a subject Cory's detractors are talking a lot about. Cory's acceptance last year of enormous, but apparently legal, campaign loans from two powerful Orange County benefactors and his recent and obvious spoils-system appointments of inheritance-tax referees have led some to tag him a political opportunist. It has also been alleged that Cory's activities have crossed the line separating political opportunity from illegality. His appointments of inheritance-tax referees are under investigation by the United States attorney's office in Sacramento, and the financial dealings of his benefactors are under scrutiny by both state and federal officials.

Assemblyman John Vasconcellos, a San Jose Democrat who sat next to Cory for four years on the Assembly floor, sees more than just a little of the opportunist in Cory. "Ken's a curious mixture of idealism and pragmatism," Vasconcellos said. "He's idealistic when he can afford to be and pragmatic when he has to be. I don't think he's willing to live out of a belief that idealism can work."

I asked Cory to turn to idealism and tell me who his political heroes were. "The people in politics are like the people in any other business," he said. "They have strengths and weaknesses like everybody else."

But who are those politicians who stand out for their strengths?

"Well, certainly the inspiration of John Kennedy was out of the ordinary. Robert Kennedy was another person I was fond of. As a technician Ted Kennedy is the most consonant with the crowds and I don't have any quarrel with his political philosophy either."

As Cory spoke, the portrait of Jesse Unruh the shrewd legislative strategist and the man widely regarded as Cory's political mentor smiled down from the wall behind Cory. What about here in California? Who are the people you consider outstanding?

"Frank Mankiewicz, Max Palevsky and Miles Rubin [behind-the-scenes Democratic party leaders] are all men who have done what they think is right for the political process, and I admire them," Cory said. "And there's Henry Waxman [a former assemblyman and now congressman from Los Angeles], the Burtons [brothers Phillip and John, both former assemblymen and now congressmen from San Francisco] and John Vasconcellos. And Jesse, of course, I have known him for a long time.

Cory didn't seem anxious to talk about Unruh, but the question needed asking: What would you say was Unruh's influence on you?

"I would hope his influence on me was positive," Cory responded. Well, what was that influence? "Jesse made the California Legislature one of the finest if not the finest, in the nation. He left me with an appreciation of the legislative system." Is there anything else you learned from him? "I would just have to say a strong belief in a viable legislature."

Cory quickly went on to say there were others he admired. Men like state Senator John Stull, a Republican from La Mesa, and the ultra-conservative former con-

Carla Lazzareschi's work has appeared a number of times in these pages, most recently in September ("Judging Dymally and his doings").

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gressman and 1972 American Independent Party presidential candidate, John Schmitz — men with whom he is "philosophical worlds apart" but respects for the strength of their convictions, men he does not find guilty of the sin of "cream puff hypocrisy".

A political beginning

Cory, 37, began his political career in 1963 as a staff consultant to the Assembly Education Committee. In the two years he worked for the committee he gained a reputation for being bright, aggressive, and well-versed in the problems of local school finance. It was also during those years that he caught the eye of Speaker Unruh.

"During the time I was speaker I thought Kenny was one of the best people to come here," Unruh said. "I was really impressed with him and the skill he had on education stuff. We were a hell of a team in education from '63 to '66."

By 1966 Cory had left the education committee to become chief administrative officer for the Assembly Rules Committee, a sensitive, difficult and highly political housekeeping and favor-dispensing post under the speaker. In the spring of 1966, after serving as one of Unruh's top lieutenants for nearly 18 months Cory decided to run for an Assembly seat of his own.

Unruh said that Cory ran at his urging. "I was flying down to Los Angeles with Jack Crose [then Unruh's assistant, now a top lobbyist]. Crose had a picture of Kenny with him. I looked at it and thought Kenny was awfully good-looking and that he ought to run for office one day. I figured he'd make a hell of a candidate. The year before we did an Assembly reapportionment, so we had a couple of seats available. Kenny could have run in one of two spots. Either in the area around his wife's home town (near Fresno) or in Orange County. He chose Orange County."

Philosophical problems

Cory tells the story differently. "My desire to run for office in 1966," he said, "was kindled by the constant refrain of being told by elected officials that a particular cause was 'right' but in their districts it would be 'wrong'. I would see politicians admitting philosophical grounds for positions but voting for positions that were dictated by political expediency. I believe that a politician has to be willing to admit that he has compromised when he has. He shouldn't concoct a philosophical position to explain away his vote or action. The hypocrisy I saw as a staff member led me to believe that a legislator ought to be willing to admit that he has made a political vote. And I really believed you could be elected and still conduct yourself this way."

Cory said he chose the Orange County district because his roots were there. "Orange County was where I had gone to school since junior high. [Cory was born in Kansas but moved to the Los Angeles area before his second birthday.] It was where I registered to vote when I was 21. I could have moved to my wife's area but I had philosophical problems with moving into a district just to run for office. I thought about it but just didn't feel comfortable with it."

Going statewide

Cory's final choice of a district, however, was not always comfortable for him either. A self-described liberal, although not a "dogmatic" one, Cory was quickly forced to learn how to balance his beliefs against those of his generally conservative constituency. "I know there were times as a representative of Orange County when I voted against what I believed in," he said. "But those votes made no difference in the roll call. And I faced up to the fact that I had voted against what I believed in. I didn't allow the vote to become an internal sellout of my position."

Cory said it was in large measure the realization that he could neither entirely escape nor tolerate the hypocrisy he had to endure as a Democratic assemblyman from Orange County that drove him to seek statewide office. The office of controller initially attracted him, he said, because it would allow him to pursue his interests in the regulation of oil production and the disposition of tidelands and other lands belonging to the state. (The controller serves as a member of the State Lands Commission, the agency responsible for managing public lands.) A statewide office, Cory said, was also attractive because it would free him from campaigning every two years in a district that demanded his constant attention. In short, Cory said, he thought that a statewide office would free him of the frustrations of a legislator.

"Ken abandoned a lot of his beliefs to continue winning in Orange County," a friend and former co-worker said. "I hoped that when he became controller he could be himself more."

The peace Cory sought from his new position has yet to come, however. For more than half of his first year in the controller's office Cory has been beset by controversy that has deprived him of the freedom and work experience he wanted. For example, Cory said, instead of campaigning vigorously against the federal government's proposed reopening of new offshore-oil leases in Southern California, he was forced to devote his energies to explaining and defending himself.

Who is Cory?

People want to know about the man who accepted campaign loans of well over half a million dollars to run for an office that pays $35,000 a year. They want to know how a man who has openly campaigned against the political appointments of inheritance-tax appraisers could continue the practice with appointments that are equally political

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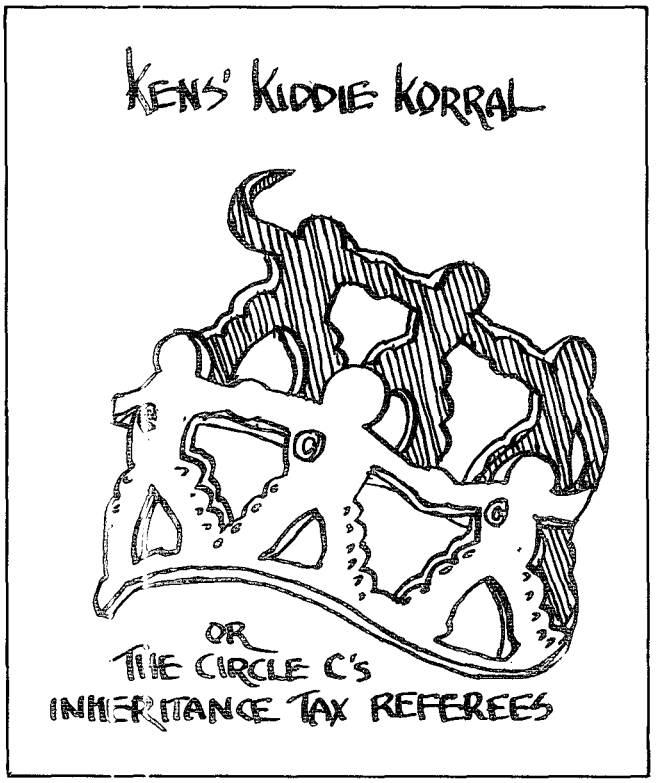

and possibly illegal. And people have always wanted to know how a Democrat with an admittedly liberal view and a respectable liberal voting record could for eight years represent Orange County.

Cory has not helped the people who want to get to know him better. Personally reserved, Cory is known as a loner, a man not easily given to discussing himself. Some of his small circle of close friends admit to knowing little about Cory. And some of those who do know him well, like his chief aide and longtime political confidant, Carl D'Agostino, are reticent to discuss him.

"Much of the reason for Ken's problems these days," D'Agostino said, "is that he's an unusual figure. He doesn't fit into any molds. He doesn't follow traditional behavior patterns. He's not given to Pavlovian reactions. When a new issue comes up you can predict most politicians' responses but you can't do this with Ken. It's hard for people to understand politicians like him."

Another reason cited by D'Agostino for Cory's problems is that Cory says and does things politicians traditionally avoid. Among the most surprising positions Cory has taken, D'Agostino said, were his early support of the ill-fated presidential candidacy of George McGovern and his vote in 1972 for Assemblyman Willie Brown's "homosexual bill of rights". Cory, D'Agostino noted, was only one of seven who voted for Brown's bill that year. (The bill, which removes legal penalties from the performance of sexual acts in private by consenting adults, finally passed last session and became law January 1st.)

Others say that Cory is difficult to understand because he appears to say one thing and do something different. And generally, they say, his actions are based on opportunity and expediency.

Ability to compromise

Cory is the first to admit that politics is the place where compromise is often necessary. But, he says, a good politician admits when he has compromised and doesn't try to maintain a pristine purity about his actions. The recent appointment of inheritance-tax referees is a case study of Cory's ability to compromise.

The referees are appointed by the controller to appraise estates in probate. They have been spoils-system appointments and today remain one of the few ways left for a controller to pay off political debts. Cory has frequently said that he opposes the present system of appointing inheritance-tax appraisers and has supported legislation to abolish the positions entirely. Nonetheless, when the time came to appoint new referees last year, several of his friends and political associates were appointed to the lucrative posts.

"We agree we made political appointments," D'Agostino said. "But every controller made as many or more such appointments. What's important about the way we've done it is that we've been open and honest about admitting it. We suspected there would be some ruckus from our appointments, but we didn't expect it to last this long and at this intensity. When all the smoke clears, though, it will show that we don't have any legal problems."

Glow of victory

Cory also defends his acceptance of a $575,000 loan from Orange County businessmen Richard O'Neill and Dr. Louis Cella for his campaign for controller on the ground that it was "strictly legal". He said he assumed that a "public relations problem" would face him in the year of Watergate and Proposition 9 [which will limit campaign spending for future controllers' races], but he discounted its impact. The money from his Orange County benefactors, "Dick and Doc", he said, was "emotional money", free of obligation. "It's as much clean, honest money as you can get in politics these days," he added.

O'Neill, who says he was personally responsible for giving about $250,000 of the $575,000 to Cory, said that he put up the money because he likes to win. "It's exciting to win. I feel like a gambler who wins big on a football game or a horse. It's the glow of victory I'm after."

It was Cory's overwhelming desire to give O'Neill what he wanted — a victory — that prompted him to accept the largesse of "Dick and Doc". While aides conceded that the amount was "abnormally large", they point out that Cory scrupulously reported every dollar. "We knew we'd be attacked for taking this money," said D'Agostino, who ran Cory's campaign before becoming the chief deputy state controller. "But what else could we do? Cory's major opponent in the primary [San Francisco Supervisor Robert Mendelsohn] was getting large amounts of money, too. There was no way we could have won without Cella and O'Neill's money. Accepting the money was a strict, pragmatic decision motivated by reality. It was legal and reported. I don't see that we've done anything criminal. Whether it's smart politically these days is subject to everyone's political judgment."

Cloud of suspicion

If Cory was looking for freedom in a statewide office, he hasn't come close to finding it yet. Since July he has been living under a cloud of suspicion, a situation he is finding increasingly uncomfortable and one that is interfering with what he hoped to accomplish as controller. But outwardly he is still able to prop his feet up in his corner office in the Capitol as he talks to a reporter.

"I'm sure Ken's feeling some discomfort with himself for what he had to do to become controller," Assemblyman Vasconcellos said. "I think he knew this would happen and was just willing to accept the discomfort to get the job."

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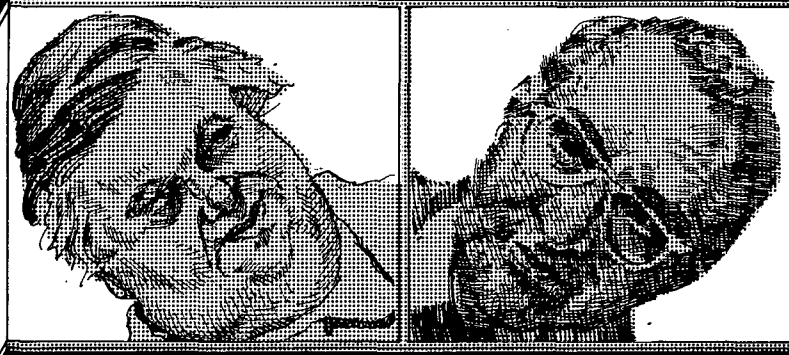

non-partisan GOVERNMENT GAME

CAPITOL GAINS

PENALTY

Hospitals winter investigation for high Medi-Cal payments back one square

BONUS

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Community Medical Enterprises gain state management Sis hospitals

Building trades union exempts Carpenters

United Surgical Supply Inc. Long Beach Municipal Court Judge

Sacramento Bee Editorial Board endorses Assembly Speaker Leo McCarthy

LIMBO

CAPITOL GAINS

Lose one turn Sunset Builders lose one turn

CAPITOL GAINS

Double Bonus Only elected Controller

Rose Enterprises Corp's personal wealth grows exponentially

CAPITOL GAINS

Lompoc hospitals former lobbyist back in Assembly

United Surgical Supply does not compute back one square

go to limbo Baxter, Mercy & Mission Community Hospitals under investigation

CAPITOL GAINS

win 2 Assembly seats Carpenter & Robinson elected

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Unscrambling 'Dick and Doc's' financial and political empire

By AL DONNER and DAN WALTERS

The four-wheel-drive station wagon hummed along Wilton Road in southeastern Sacramento County and lurched onto a dirt driveway near the Cosumnes River. State Controller James Kenneth Cory was at the wheel of the vehicle leased by the taxpayers of California for his official use, and he was visiting his ranch, 541 acres of gently rolling land along the river near Elk Grove. Democrat Cory, 38, has elaborate plans for the ranch — plans for a massive house rivaling the state's new million-dollar governor's mansion and plans for becoming a gentleman rancher and dog-breeder while pursuing a burgeoning political career a few miles away in the Capitol. The ranch, however, like the station wagon, isn't just Cory's. The property belongs to Kobe Enterprises, a partnership of Cory and two extremely wealthy Orange County men who have bankrolled his political career and provided the financial support for the astonishing growth of Cory's private fortune.

Kobe Enterprises and the ranch are typical strands of the intertwining political and financial web of Cory and his two patrons, Richard O'Neill and Dr. Louis Cella, also known as "Dick and Doc". O'Neill and Cella are the twin heads of a political organization that has achieved control of the government of Orange County (the state's second most populous county) and has a stable of politicians operating from the grassroots to the nation's capitol. And in doing so they have created one of the state's most sophisticated and effective campaign mechanisms. Politicians' public careers and private fortunes have benefitted from their association with the Cella-O'Neill organization. And a detailed examination of corporate and public records and interviews with principal figures show that business enterprises associated with the organization have benefitted from their political contacts.

Tangled web

The tangled web of business and political alliances has drawn the attention of a platoon of federal, state and local investigators. Federal grand juries in Los Angeles and Sacramento and the Orange County grand jury are taking testimony on various aspects of the organization's dealings.

The primary focus of the investigations is on a chain of Orange County hospitals and related businesses in which Cella is the key figure, often in partnership with O'Neill. But the investigations also are touching on an insurance agency in which Cory, Cella and O'Neill hold major interests as well as on Cory's appointment of inheritance-tax referees, some of whom have business ties to the organization and others of whom have families that made substantial contributions last year to Cory's campaign for controller. Investigators have uncovered evidence of at least $200,000 in phony billings to hospitals for goods and services never delivered, of clandestine printing and other services being performed for political campaigns by hospital-owned shops, of politicians receiving direct payments from hospitals for "services" and of inflated costs being passed on to taxpayers in Medi-Cal and Medicare bills for indigent and elderly patients.

O'Neill is a 51-year-old rancher and businessman whose personal wealth is estimated at upwards of $100 million. The basis for the wealth is a family-owned ranch that was part of a Spanish land grant — an original holding so large that the Marines' Camp Pendleton was sliced from it. O'Neill, who also is heavily involved in the restaurant business in Southern California, developed Mission Viejo on 7,000 acres of the family ranch and later sold most of the development to Philip Morris for a reported total of $30 million.

O'Neill is the financial cornerstone of a Democratic revival in the traditional Republican stronghold of Orange County. He also is Southern California Democratic chairman, having won that position last January.

Cella, also 51, came to Orange County about 20 years ago from Providence, Rhode Island, where the family was politically active. He operates the Santa Ana Clinic and has been a factor in local political campaigns for at least the past 15 years. A nominal Republican, Cella assists politicians ranging from Larry Schmit, an ultraconservative Orange County supervisor, to Cory and others with liberal tags after their names. He is the state's largest individual campaign contributor, having given more than $500,000 to more than 50 candidates and causes last year. (O'Neill is second, only a few thousand dollars behind.)

Mysterious figure

Cella, whose business interests range from ranching to real estate but are concentrated in the medical field, is the mystery man of Orange County politics. Rumors about him and his political and business deals abound, but most of them evaporate under scrutiny.

Cella operated behind-the-scenes until 1974, when he lost his front man, Fred Harber, who had been Cella's chief political aide and sometimes business associate until his disappearance in June 1974. He and nine other persons, including Orange County Supervisor Ronald Caspers, vanished when Harber's boat apparently sank off the coast of Baja California. Caspers was a member of the Cella-O'Neill stable and his family savings-and-loan company had provided at least some of the financing for Cella's chain of hospitals. "Harber was smooth, and as long as he was around things operated quietly with no fuss and muss," says a knowledgeable Orange County observer. Harber operated out of one wing of the Cella clinic across the street from the county courthouse and once was on the payroll as an assistant to Supervisor Robert Battin, another organization politician who is now under indictment for using his staff in a political campaign.

Cory has described Harber as "a very good friend of

The authors, who cover state government and politics for the Sacramento Union, *have written extensively on the Cory-Cella-O'Neill phenomenon.*

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mine, perhaps the best friend I have had." And with good reason. Harber not only was the tactician for Cory's early political successes, but he loaned Cory's small insurance agency, Cornet Insurance Counselors, $95,250 in 1967 when the agency appeared to be having difficulty making payments on a note.

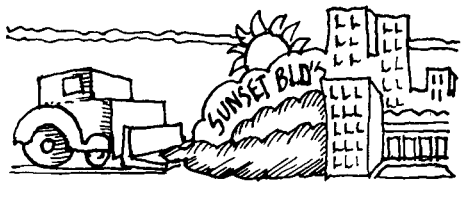
Harber and Carl D'Agostino, now Cory's deputy controller, were the co-founders of Demographic Communications Consultants, a campaign-management firm that has handled many campaigns for the Cella-O'Neill organization. With Harber's passing, Cella was forced to move into the open, and investigators began taking an interest in his complex of business affairs. Orange County District Attorney Cecil Hicks, perhaps the only major Orange County official openly hostile to Cella and O'Neill, has called Cella the man behind "a shadow government". Cella hired a private investigator, through one of the hospitals, to investigate arch-enemy Hicks.

Common denominators

The hospitals are the core of Cella's personal wealth and the focal point of the multi-pronged investigation now under way. Cella is a partner in at least seven hospitals identified with the organization, and O'Neill is involved with at least two of them. But there are more common denominators.

Six of the hospitals, for example, jointly own Community Medical Industries, a corporation through which payments for services and supplies to the six are funneled. Some of the suppliers to whom CMI made payments turn up as campaign contributors to candidates associated with the organization. CMI also employed as its first, and last, Sacramento lobbyist William Campbell, a Republican assemblyman from Hacienda Heights, during 1973 and 1974. (Campbell gave up his seat in the Assembly in 1972 to make an unsuccessful bid for the Los Angeles County Board of Supervisors. He returned to the Assembly last year.) Campbell received $1,000 a month as CMI's lobbyist.

During the closing days of the 1972 legislative session, after Campbell knew he would be leaving the Capitol but before his term had expired, he pushed through legislation that allowed four CMI hospitals to qualify for Medi-Cal payments — payments now being questioned by federal and state investigators. Campbell was then chairman of the Assembly Health Committee. Campbell has denied that any *quid pro quo* was exacted for the legislation, but he was working in close concert with Robert Gillman, a business associate of Cella and president of Sunset Builders, the Orange County construction firm that built most of the organization's hospitals. Gillman helped lobby the Campbell bill and later offered him the CMI position, Campbell acknowledges, although he steadfastly denies any connection between the two actions.

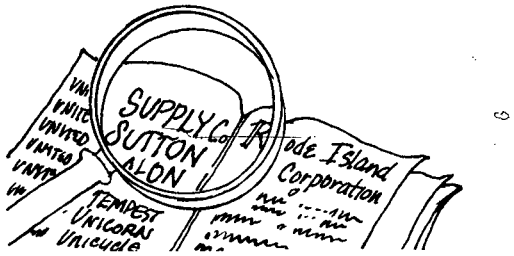


Sunset Builders is another common denominator. Gillman and his partners are associates in some of the hospitals as well as having been the contractors. Cory's insurance agency was housed in two Sunset-owned buildings in Anaheim, and Cory's taxpayer-financed district office was in the same buildings in adjoining quarters. When the insurance office moved, so did Cory's office, and former associates have said that Cory's state telephone often was used for insurance business to avoid long-distance charges.

Printing operation

Investigators have turned up evidence that United Printing, a firm owned by two of the Cella-O'Neill hospitals, did political printing that was not reported. The firm also created invoices for paper companies that were used to bill the two hospitals, Bristol Mercy General in Santa Ana and Mission Community in Mission Viejo, for goods and services never delivered. In affidavits filed in Orange County Superior Court, investigators allege that $200,000 of the money wound up in Cella's bank accounts.

One of the companies to whom payments were made, United Surgical Supply of Providence, Rhode Island, lists an address that is the Cella family home. United Surgical Supply does not exist in any Rhode Island corporate records. It was used, however, to funnel Cella and O'Neill campaign contributions to Cory.



Federal and state auditors are scrutinizing the Orange County hospital business because of extremely high billings for Medi-Cal and Medicare services from the organization's hospitals. Their average patient payments are among the highest in the state. Among evidence that has surfaced are letters written to Robert Brent, an attorney for the hospitals and also an occasional business partner of Cella and O'Neill, by the Orange County assessor's office. Brent also is the attorney for Kobe Enterprises. The letters valued land beneath Bristol Mercy and Mission hospitals at more than twice the values listed on tax rolls. Assessor Jack Vallerga, who is alleged to have ordered the letters written, and former Assessor Andrew Hinshaw, now a Republican congressman, have been indicted on several charges arising from Hinshaw's campaign, and the letters were turned up during that investigation.

Most of the hospitals were developed during the early 1970s on a crash basis because of a state-imposed deadline on new construction without approval of local health-planning agencies. The Campbell bill had provided a partial exemption from the deadline, thereby allowing four of the hospitals to qualify for Medi-Cal payments under a "grandfather clause." Cella and O'Neill achieved a friendly balance of power on the Orange County Health Planning Council, which had to approve all hospital projects. Most of the council's appointees were named by the Orange County Board of Supervisors.

The state health planning council was later to declare that "an atmosphere of intimidation" existed on the council during the early 1970s that discouraged opposition to the organization's projects. Established Orange County hospitals opposed the new projects, arguing that they would aggravate an already serious over-supply of hospital space. Orange County is considered to have the state's worst "over-bedding" problem and the state's highest room rates.

The executive director of the local health council during that period was Paul Carpenter, an experienced Orange

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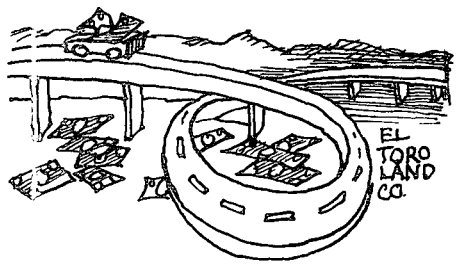
and Los Angeles County political figure who was forced to resign after the state challenged his credentials. Carpenter won an Orange County seat in the Assembly in 1974 with heavy financial backing from the Cella-O'Neill organization. Geraldine Lea, a one-time member of the health council and employee of Sunset Builders, is now Carpenter's aide. Carpenter was one of two Orange County politicians to win new seats in the Assembly with heavy Cella-O'Neill backing in 1974. Richard Robinson, who did accounting work for Cella and his medical enterprises, moved into a new district, bought a home with O'Neill's personal financing and won the seat. He now rents a district office in a Cella-owned building near the physician's clinic in Santa Ana.

More ties

The influence of Cella and O'Neill in county government is apparent in many ways. A prime example is the El Toro case.

El Toro Land Company was formed as a partnership in 1970 to develop a 39-acre parcel along the San Diego Freeway in Orange County. One of the original partners, with a $25,000 investment, was Albert Parvin, one-time Las Vegas casino-owner and head of the Parvin-Dohrmann Company and the Parvin Foundation. Meyer Lansky, reputed Mafia financial brain, was one of Parvin's partners in the Flamingo Hotel and the Parvin Foundation had former Supreme Court Justice William O. Douglas on its payroll for $12,000 per year — a revelation that sparked an impeachment effort against Douglas several years ago.



Cella, O'Neill and Harber bought into El Toro Land in 1971 and remain as major partners, along with Parvin, according to corporate records. Shortly after they bought in, the Orange County Board of Supervisors took emergency action to establish a freeway interchange adjacent to the property and the land increased in value by 600 percent, county records show.

As Cella and O'Neill were expanding their business and political empires, Cory was experiencing a growth of personal wealth and political influence. Cory, who attended four colleges and graduated from none, became involved in politics while still a teen-ager. He went to Sacramento in the early 1960s as an aide to then-Assemblyman Richard Hanna, the first Democrat to achieve major office in Orange County in recent years, and Cory served on the staff of the Assembly Education Committee, which was chaired by Hanna.

Cory caught the eye of Jesse Unruh, who was then Assembly speaker, and became a protégé of the man then known as "Big Daddy". Unruh installed Cory as chief administrative officer of the Assembly in 1964, and two years later tapped him to run for an Assembly seat in Orange County that the Speaker had helped create through reapportionment. Cory won the seat with help from Cella and O'Neill, and they also helped him survive three tough re-election battles. His campaigns were marked by sophisticated, computer-directed mailing drives and not a few cries of "foul" from opponents. The Orange County grand jury delved into his 1972 campaign in which his backers were accused of financing a Republican write-in candidate, and Cory, invoking legislative immunity, refused to testify.

Cory parlayed his chairmanship of the Joint Committee on the Public Domain into the controller's office last year, calling himself "the man the oil companies fear most". It was an attractive slogan in an era of energy-consciousness and long lines at gasoline stations. D'Agostino was the campaign's chief architect, and Cella and O'Neill, with their associated business enterprises, supplied two-thirds of Cory's campaign money. The Cory campaign swamped the moderately financed and relatively unorganized effort of his opponent, Republican Assemblyman William Bagley, of Marin County.

Cory had worked occasionally as an insurance salesman in Orange County and, after winning his Assembly seat in 1966, he acquired a half-interest in Cornet Insurance Counselors, whose owner was Richard Newby. Cory, Newby says, put up little cash and paid off his obligation in deferred commissions on sales. The young assemblyman used his political contacts to sell insurance. Several of his Assembly colleagues placed their personal insurance through Cornet, and Cory was instrumental, Newby says, in selling insurance coverage for about two dozen leased autos of legislators. Cornet acquired a Sacramento office with its purchase of Lindsey-Machette Insurance in 1967, principally from the Hale Brothers Associates, an investment trust.

Late in 1967, Harber provided $95,250 to allow Cornet to complete its purchase of Lindsey-Machette, according to corporate documents. Newby says it was at about that time that he obtained $100,000 in financing for the small agency from Louis Warschaw, head of two insurance companies and a well-known Southern California political financier. Warschaw and his wife, Carmen, gave Cory some $14,000 for his campaign in 1974. Warschaw denies making the loan through a subsidiary company, but Al Leatherby, president of Cornet's successor company and a foe of Newby, confirms that the loan was made.

Cornet merged with Leatherby's Republic Insurance Brokers in 1973, and Cory wound up with 128,000 shares of Republic stock valued at $4 a share. That represented a more than tenfold growth of an interest he valued at about $40,000 in 1967.

Home on the range

The newly merged company, with Newby installed as president, faced an almost immediate need for new capital, according to records on file with the state corporation commissioner. Cella and O'Neill, through one of their joint partnerships, bought 40,000 shares of Republic stock for $160,000 and helped keep the company liquid. Shortly thereafter, Cory transferred 108,000 shares of his Republic stock to a new company, Kobe Enterprises, and became a half-owner of Kobe. Cella and O'Neill hold a quarter-interest each in Kobe, whose primary acquisition has been the Elk Grove ranch. Cella and O'Neill recently shifted 15,000 of their Republic shares to Bristol Mercy and Mission hospitals.

Another of Cory's investments is Fiesta Investments of Colorado. His partners in the company, which invests in resort property, are high-school chums, including two former Westminster city officials convicted in 1973 of soliciting bribes.

In 1967, Cory listed his net worth at about $80,000 on a statement prepared in conjunction with the Lindsey-

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Machette acquisition, but he made no mention of his note to Newby for his share in the agency. In 1973, Cory told the *Los Angeles Times* that his net worth exceeded $700,000, and he reconfirmed that figure in a recent interview.

Republic Insurance, meanwhile, had been having problems. Prior to the merger with Republic, Cornet wrote a master workmen's-compensation policy for the Milk Producers Council, an organization of Southern California dairymen. The policy was issued by Imperial Insurance, one of Warschaw's insurance carriers. Imperial, incidentally, also wrote malpractice insurance on the Orange County hospitals connected to Cella and O'Neill, and Republic handled those policies. It is one of the interconnections that hospital auditors are now examining. Imperial and its parent firm, Signal Insurance, are being operated by the state insurance commissioner on a court-ordered conservatorship because of projected heavy medical malpractice losses. Republic at one time wrote as much as 20 percent of all the policies issued by Imperial, according to corporate sources.

The dairymen cancelled their policy this year amid allegations of misrepresentation by Newby. The case also is being investigated by the insurance commissioner, but it sparked an intra-company struggle in which Leatherby triumphed. Newby was forced last summer to resign from Republic and give up his 23 percent interest in the company. He has since established a new insurance agency and numbers among his clients Cory, Cella and several other well-known political figures, including members of the Legislature.

Inheritance-tax referees

Cory had been in the controller's office only a few months when a furor erupted over his appointment of inheritance-tax referees. (The referees compute state inheritance taxes and receive a percentage of each estate as a fee.) The positions are coveted for their financial rewards — in major counties a referee can gross $60,000 annually for part-time work — and there has been periodic controversy over appointments by controllers.

Newspaper investigations revealed that a number of Cory's appointments had political connections. Several appointees were close relatives of campaign contributors — an apparent end-run around a 1971 law that bans contributors from receiving appointments. Among the disclosures:

- Albert J. Nicora of Oakland, a 20-year-old part-time college student, received an appointment after his father, businessman Vincent Nicora, contributed $2,500 to Cory's campaign.
- Oakland attorney Hiawatha Roberts contributed $700 to Cory and his daughter, Karen, also in her early 20s, received an appointment.
- Antoinette McGillvray of Stockton, whose family contributed nearly $5,000 to Cory, received a San Joaquin County referee's position.
- One Los Angeles County referee, Murray Shell, is a partner with Cella in three of the Orange County hospitals, including one that made contributions to Cory.
- Another Los Angeles County referee, Crawford Cofer, resigned after newspapers revealed that he had contributed to Cory.
- The Butte County referee, Nancy Ferguson, once worked in Cory's insurance agency and is married to Jimmie Ferguson, a former partner in the agency.
- Several of the tax appointees turned out to be longtime workers in Democratic campaigns, sometimes including Cory's. Sacramento County referee B. Maurice Read, for example, is a partner in a political advertising firm, Tsuruda and Read, that has done work for Cory and other Democratic candidates.
- D'Agostino, Cory's political aide and deputy controller, was found to be using a rent-free Sacramento apartment owned by the father of an inheritance-tax referee, Wilbur Knight II, and used during business hours as Knight's tax office.

The federal grand jury in Sacramento has been taking testimony on Cory's appointments. Postal inspectors and the Federal Bureau of Investigation conducted the investigation for the U.S. attorney's office. One item of evidence in the hands of investigators is a tape-recorded conversation between Andrew Malahan, a San Bernardino County referee, and Michael Valles, an aide to state Senator George Zenovich of Fresno. The conversation deals with Valles' efforts to secure a reappointment for Malahan and, especially, with a meeting between Valles and D'Agostino. Valles says on the tape that D'Agostino mentioned a San Bernardino County fund-raising event for Cory as a potential way for Malahan to show his appreciation.

The tape figured in the trial of a young woman accused of murdering Malahan a few days after the conversation last June. Her attorney argued that Malahan had been driven to suicide by the squeeze being put on him over the reappointment. She was convicted of manslaughter.

With a dozen official investigations under way into the different strands of the Cella-O'Neill-Cory web of political and business interests, Cory's once-bright political future may be clouding. Fund-raising efforts by the Friends of Ken Cory — a committee headed by Walter Harvey, Cory's aide on the Board of Equalization and a cousin of Carmen Warschaw — have slowed. And construction of the 7,000-square-foot ranch house at Elk Grove has been postponed.

Multi-faceted probes of a political machine

Federal, state and county law-enforcement officials are conducting a multi-faceted investigation of state Controller Ken Cory and the Cella-O'Neill machine.

The California Attorney General's office recently accused the administration of three Orange County hospitals with connections to Dr. Louis Cella and Richard O'Neill of constructing facilities illegally. The state is seeking to kick the hospitals out of the lucrative Medi-Cal business. At the same time, an Orange County Affidavit, filed as part of the investigation by District Attorney Cecil Hicks, alleges that more than $200,000 was paid out by hospitals for supplies that they never ordered. The money ended up in Cella's bank account, the affidavit states.

The U.S. attorney in Sacramento, the Federal Bureau of Investigation and U.S. Postal Service inspectors are scrutinizing Cory's appointment of inheritance-tax referees to determine if federal law has been violated.

The Internal Revenue Service is checking into allegations that Cella paid no income tax for the last three years.

Both the federal Department of Health, Education and Welfare and the California Health and Welfare Agency are participating in the hospital and Medi-Cal investigations.

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Richard O'Neill – last of the big spenders?

By Nancy Boyarsky

Until recently, few Californians had ever heard of Richard J. O'Neill. Shy of publicity, the millionaire rancher-businessman kept out of sight while rising in California's Democratic Party machinery — a political arena of little interest to the average voter. In January 1975, he was elected Southern California Democratic chairman. That gave him two party offices; he was already Orange County party chairman. But O'Neill's success at avoiding public notice ended late last summer when federal and state officials began investigating Dr. Louis Cella. News stories focussed on O'Neill, as well as Cella, because the two men — "Dick and Doc" as they are often called — are business partners and have jointly given and lent large amounts of money to political candidates.

Since then, critics of O'Neill have called him a lot of things. They have blasted his involvement in Orange County politics, as well as his huge contributions to state and congressional candidates. One news article portrayed him as one of the "key wealthy operatives" who mastermind a "shadow government". It's been said that O'Neill *is* the Democratic Party in Orange County. Also, that he's the richest man in California, with land and business holdings so vast that even he has no idea of their value. (Outsiders have estimated his worth at anywhere from $30 million to $100 million.)

Shirttail demeanor

Despite the sinister overtones in this image of untold wealth and backroom power, there are those who see O'Neill as an unsophisticated eccentric. They point out that he is so unconcious of his personal appearance that he often forgets to tuck in his shirttails — even at posh political events. But one thing they can't say about him is that he's pushy. Take the evening we met for an interview at the Blarney Castle, a dimly lit steak palace at Western and Wilshire in Los Angeles. O'Neill owns the restaurant. We still had to wait for a table. He was unperturbed by the delay. As the evening unfolded, it became clear that his patience about waiting for a table in his own restaurant is entirely in character. He's easy-going.

At 51, he has longish greying hair that refuses to stay combed. He is overweight and given to self-deprecating remarks about his waistline and his appetite.

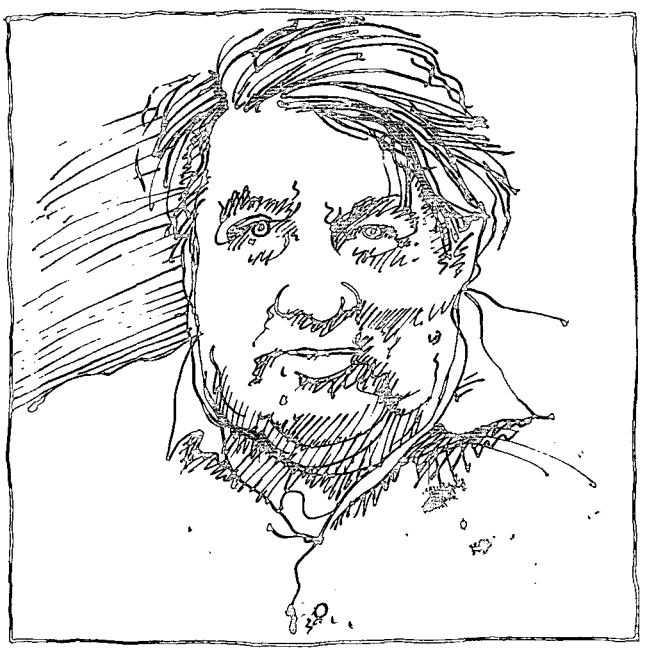
There is, in short, nothing about the man to suggest that he is a millionaire. Talking about his wealth embarrasses him, but information about his finances is easily available elsewhere.

He and his sister inherited about 50,000 acres of land in Orange County. This is the O'Neill ranch, which has been in the family for nearly a century. During Dick O'Neill's younger years, the family was land poor. But in the mid-1960s, he sold a small portion of the ranch to the Phillip Morris Company, and it was developed into Mission Viejo. Two years ago the *Los Angeles Times* estimated that the O'Neills' profits from land sales then were about $20 million. The ranch itself is maintained by profits from cattle, crops and mineral leases.

Effect of publicity

O'Neill has many other investments, including the restaurants and hospitals in which Dr. Cella is a partner. O'Neill keeps several apartments besides the one behind the Blarney Castle, but he spends most of his time at his ranch, which receives few visitors.

While unwilling to discuss his fortune, O'Neill did



comment on his feelings about the adverse publicity he was given in connection with Dr. Cella's problems. "You expect a certain amount of it if you go out front," he said. "You don't enjoy it, no, but you bear up under it. You think that in the end it will turn out all right. You begin to wonder what the purpose of all of it is. Especially about Ken [State Controller Ken Cory] and the things that go on about Dr. Cella. And myself, I just get less and less interested [in donating to campaigns]. I'm very reluctant now to help anybody." Approached recently for a contribution to a presidential candidate he told the fund-raiser: "If I give, it'll give your candidate a bad name." (The bad publicity began when federal Medi-care and state Medi-Cal officials investigated rumors that a print shop serving several hospitals run by Cella was printing a large volume of political campaign materials. Little or no effort seemed

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Nancy Boyarsky has been a frequent contributor to the Journal *on topics ranging from campaign managers to loopholes in the Political Reform Act of 1974.*

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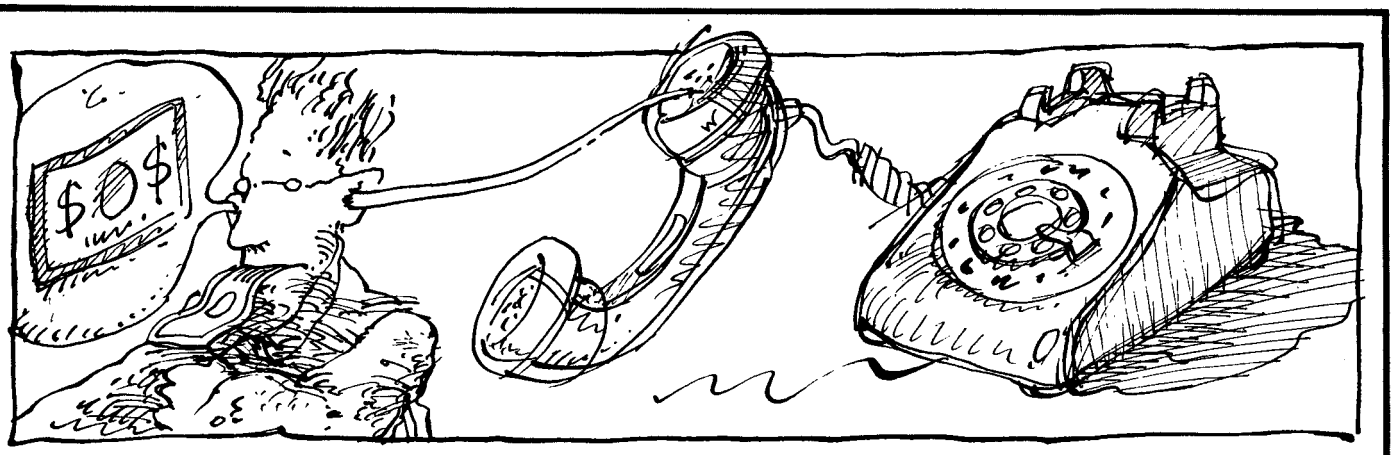

to have been made to separate the cost of the political projects from the cost of government-funded medical care for elderly and poor patients of the hospitals. One news article stated that Cella — contributor of hundreds of thousands of dollars to political campaigns — had not filed an income-tax return for the last three years.)

O'Neill is unoffended by questions about his power and political influence, saying that he has none. He chuckles at the idea that he and Cella are called "the shadow government." "The state's too big for that," he explains. But O'Neill's political contributions have had their effect. In fact, some O'Neill supporters believe that a lot of resentment against him comes from the widely held notion that he put Democratic office-holders in control of Orange County, a traditionally conservative Republican stronghold.

Clockwork Orange

It's true that since "Dick and Doc" got involved in politics, Orange County's elected officialdom has changed parties. As the 1970s began, Assemblyman Richard Hanna was the only major Democratic office-holder in the county; today, almost half the important elected officials are Democratic — a partisan reprograming that includes the Orange County legislative delegation to four out of five county supervisors. Aside from winning elections, Democrats there boast that Orange County has more Democratic precinct-workers and a better grassroots organization than any other county.

But no single individual — no matter how powerful or wealthy — can claim sole responsibility for the Democrats' success. Other factors were changing: Population, growth of industry and a subsequent influx of working-class people. Under O'Neill's county chairmanship, a revitalized Democratic Party structure took advantage of the new Democratic population with voter registration drives. Republicans, used to automatically collecting the winning votes, were caught by surprise.

Although having given hundreds of thousands to state and local campaigns in the past, O'Neill says his days of big giving are over. He is more eager to talk about his pet project — VIP — a fund-raising scheme aimed at giving Democratic central committees a regular source of operating money. Turned onto this topic, O'Neill becomes a man of vision, dreaming of creating grassroots fund-raising organizations throughout Southern California and perhaps the whole state. This, he believes, would strengthen party loyalty among voters and, at the same time, increase party power over office-holders.

In Orange County, a VIP program began in 1971, due to the efforts of O'Neill and a few others. Party workers telephoned other Democrats and asked them to pledge a dollar or two a month to the party. This was automatically taken from their checking accounts, after O'Neill got bank cooperation. "This program was actually developed by the telephone company to help the political parties pay their telephone bills. The idea was to get 200 of the party faithful to have their checking accounts debited $1 a month. And the $200 would pay our telephone bill. But we had to go to the banks and arrange it." The Democrats got their $200 a month, according to O'Neill. The Republicans raised much more by getting bigger pledges, he continued, but promised contributors a few complimentary tickets to $100-a-plate dinners. They did very well with it," O'Neill went on. "However, they ran into a problem. In other words it cost them money to do that. . . . Too many people hired, too many expenses. Then, when they'd have their dinner, they'd have to give out 200 to 300 free tickets. It would bust them, you see."

The small donors

Learning from the Republicans' experience, O'Neill decided to extend the Democrats' program — asking for small donations on a much broader scale. As of today, Orange County has 500 to 600 VIP donors averaging $3 a month to support party operations. The program is set up and ready to go in several other Southern California counties, he said, although they will be manned by their own county Democratic organizations, not O'Neill's.

He quotes State Central Committee Chairman Chuck Manatt as saying, "It takes as much time to get a $1,000 contributor as it does a $100 contributor or a $3 contributor." O'Neill sees a difference, however, that's important to the party: "If you've got that person with his $3 contribution, you've got his family. You have their votes. You've got a real supporter there. If he's giving you $36 a year or she's giving you $36 a year, and you call her up and ask her to put a sign for a presidential campaign on her front lawn or in the window, 90 percent of the time she'll say, 'I will'. If you give her a newsletter of any kind, she becomes or he becomes block captain, like the old precinct captain. It really helps you. With big donors, you have to wine-and-dine them all the time."

Staying hooked

Another benefit — besides grassroots cooperation — is that people rarely quit VIP, once they're signed up. O'Neill said, "The only time these people leave the program is if they die or leave the county." Once he became Southern California chairman, he decided to "carry this all over Southern California." But it takes time, he noted, especially in setting up the deduction plan at local banks. Des-

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pite the snags and the slow growth, O'Neill believes that VIP will be an important source of money for politics someday.

"The future of politics in this country is really clouded," he said. . . . "I think this program — properly financed — would be a tremendous help. It will be the backbone of financing the party operations. With money, the party can do things like Common Cause. The Assembly and the governor — they'll have to take notice. They don't take notice now because we don't have any clout."

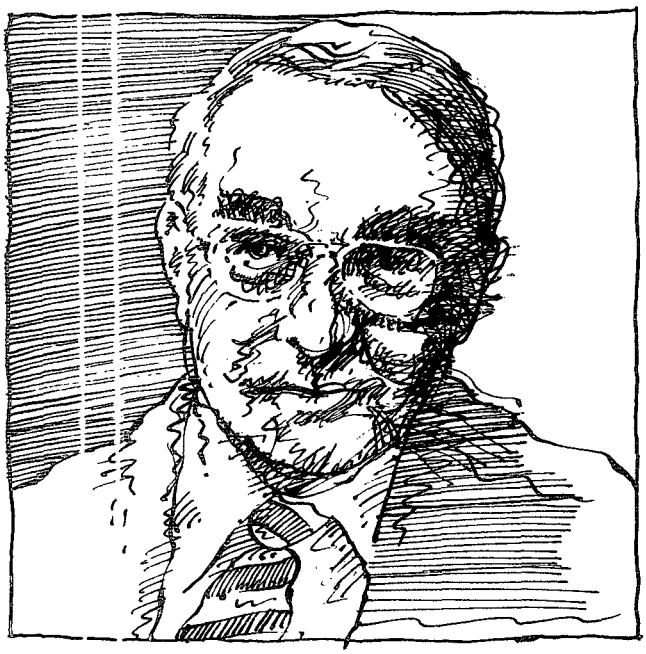
Without grassroots contacts, he feels, the party lacks strength. "We have unfortunate circumstances here in California. The party structure has never had any kind of connections or any kind of working agreement with the elected officials. The elected officials have always said, 'We did it ourselves, so we don't need you.' " Building the party up has its advantages, O'Neill continues. "If you want any connection with the favors, you have to go through the party, which is the way it is in the East and the way it should be. . . . You have to be able to do something. People don't donate the money just because they love or like you — oh, we have a little bit of that," he allows.

As for his own future political donations, O'Neill vows: "I'll give $1,000 and that's it. If you give, what happens to you? They make up all these great stories about you. You're an influence-peddler or shadow government or tremendous influence, which is a lot of bologna. I'm no influence at all. " Public records show he donated and loaned Controller Cory about a quarter of a million dollars in 1974. Why did he give so much? "It was a necessity to the party," he explains. "They didn't have anything else — nobody else to go to. They would have been wiped out. . . . I don't say it was very smart on my part. In fact, it was probably very stupid, considering what's happened since then."

He's determined not to repeat his role as one of the state's most generous political contributors. As we talked on at the Blarney Castle, O'Neill's deep, booming voice almost was lost in competition with the pianist's — *his* pianist's — rendition of oldies like "When Irish Eyes Are Smiling". "I announce the days of the fat cats are gone," he said. "I can officially announce it."

The 'mysterious' Dr. Cella

Dr. Louis Cella is the mystery man of California politics — a role he relishes and embellishes. Rumors about the Santa Ana physician, businessman and political financier are legion. Hard facts are more difficult to obtain. Among those trying to nail down the facts are dozens of local, state and federal investigators preparing evidence for two



grand juries. In one affidavit, the Orange County district attorney's office alleged that Cella and his associates had systematically milked hundreds of thousands of dollars from hospitals controlled by Cella.

Orange County District Attorney Cecil Hicks has called Cella the power behind a "shadow government" controlling that county. It is known that Cella pumped more than a half-million dollars into campaigns and causes last year. His political and business partner, Richard O'Neill, contributed nearly as much. The primary beneficiary of their largesse was state Controller Kenneth Cory, with whom the two also are associated in business. But Cella's money went to more than 50 candidates and causes. The politicians ranged from ultra-conservative to liberal.

In an interview last fall, Cella said that his contributions "border on the obscene", adding that he would never again contribute so heavily to political causes.

An enigma

The 51-year-old physician is something of an enigma. Two popular exercises in Orange County political circles are estimating the size of his wealth and speculating on its source. The estimates on size range from $50 million to $500 million, although he generally is regarded as being less wealthy than O'Neill.

Even his closest business associates, including O'Neill, don't know the extent of Cella's business interests. And Cella's own explanations elude verification. It is known that he came to Orange County about 20 years ago from Providence, Rhode Island, where his father was also a physician and political figure. But the elder Cella left an estate of less than a quarter-million dollars.

Cella came to Orange County after losing a position as senior resident surgeon at Rhode Island Hospital. The hospital's staff had given him a vote of "no confidence". Cella had been expelled from one medical school for cheating and eventually graduated from another. Although he has maintained a small private practice in Santa Ana, Cella's chief occupation in California has been that of businessman and political operative.

He is involved in at least seven Orange County hospitals and has wide real-estate and other investments. The Internal Revenue Service says, however, that Cella hasn't filed an income tax return for the past three years.

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The Cory-Unruh connection – bound by more than state money

By Bruce Keppel

At the moment of his inauguration a year ago as controller of the State of California, Ken Cory's eyes swept the room full of well-wishers and lighted up in excitement as they picked out Jesse Marvin Unruh, the once-powerful Assembly speaker willed into the unlikely post of state treasurer. "I made it, Jess!" Cory shouted. "The money's ours!" The next day, when Unruh was sworn into office under the Capitol dome, Cory warmly embraced the man who, 10 years earlier, had made him his protégé and, five years earlier, had unsuccessfully maneuvered behind the scenes to make him speaker.

Sacramento Bee photo

The former "Big Daddy" (a now-regretted nickname picked out of Tennessee Williams' play "Cat on a Hot Tin Roof" to fit the 300-pound legislative lord that was Unruh in the early 60s) had made it to statewide office at the same time as his political son had also risen. Today, Controller Cory signs the warrants authorizing state expenditures and Treasurer Unruh manages the funds to make the warrants good. The link is symbolic of the personal relationship that has grown between the two men, who in many other ways are strikingly different personalities driven, it seems, by different psychological motors.

If Cory seems fascinated by the accumulation of wealth, Unruh is impressed only by the things money can accomplish. He made this clear in an interview published several years ago before his unsuccessful bid to become mayor of Los Angeles (he finished third in a field of five). "You need money in politics," Unruh told writer Bill Libby, "but money is to be used, not piled up. I never had much money in my life, never made much until recent years, as even my enemies will admit, but the only thing it's good for is a feeling of independence, and now that I've found out I can make it, it bores me. It's not that I'm noble; I much prefer power."

Political money

Unruh also detests having to go hat in hand to big political givers like Cory's friends Richard O'Neill and Louis Cella — the "Dick and Doc" of Orange County — to ask for campaign contributions. He undertook to run for treasurer, he said, because he felt that he could win in a Democratic year without having to put on much of a show. "I'm going to run as good a campaign as I can without crawling on my belly to big contributors," he told reporters. "That's ego-devastating." As speaker, Unruh amassed more than his share of campaign funds, which he put to work reinforcing his political clout. But that activity soured for him after he abandoned his Assembly seat to challenge Ronald Reagan for governor in 1970. In that frustrating race Unruh felt the full effect of insufficient financing — an inability, he felt, to get his message across to the public.

The present system of campaign financing is both "wrong and bad", he told *Journal* writer Carla Lazzareschi. It sows suspicion in the public mind, creates obligation for the politician, and is a drain in time and energy. "It isn't just the obligation," he continued, "but the time it takes to stroke the people." That, too, is "ego-devastating".

O'Neill link

So Unruh doesn't maintain close personal ties with "Dick and Doc". There is, however, a tie that is visible and, in being visible, vintage Unruh in his best if-you've-got-it, flaunt-it fashion. As treasurer, he had two political appointments to make — deputy state treasurer and assistant state treasurer. For the first job he chose Charles C. Haskins, a 20-year veteran civil servant in the office who had run against Unruh for treasurer, saying the job was too important to be merely a political stepping-stone.

But for the second job Unruh reached over into Cory's office and tapped a young man, Grover L. McKean, whose brief political career has revolved around the Democratic Party power centers, including a close friendship with Richard O'Neill. Besides having handled Cory's press relations during the controller's race, McKean worked on O'Neill's successful campaign last year for Southern California Democratic Party chairman. McKean it was

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who arranged the dinner meeting between *Journal* writer Nancy Boyarsky and O'Neill at the Blarney Castle, one of the restaurants O'Neill owns. ("Did she mention that I picked up the tab?" McKean queried. "Dick's not very fast at picking up tabs.")

As McKean tells it, Unruh's call came out of nowhere and Cory didn't want to relinquish his press secretary, for whom he had some office plans of his own. "But I told Ken that I wanted to get back into financial affairs — I worked for awhile for a stock-broker — and he let me go. He still calls me for advice occasionally." For his new boss, McKean said, he acts as "trouble-shooter" and legislative aide. He's also a political operative with good connections in a domain where Unruh prefers no longer to tread.

Thicker than oil

But the Unruh-Cory relationship reaches back virtually to the start of Cory's political career and his links to Richard O'Neill in Orange County, where Cory chose to seek an Assembly seat created through reapportionment. Later, Unruh favored his protégé with chairmanship of the successor panel to the Joint Legislative Committee on Tidelands, which the Assembly Speaker himself had chaired and dominated. Unruh had developed close ties with Long Beach community leaders, and Cory inherited these and built the reputation that he was able to summarize in his controller's campaign billing as "The Man the Oil Companies Fear Most." [See, "California's Saudi Arabia," *CJ*. May 1975.]

Perhaps less well remembered are the efforts Unruh made on behalf of Cory's unsuccessful bid to become Assembly speaker in 1971. Unruh had left the Assembly to run against Ronald Reagan for Governor in 1970 and, after the elections, tried to line up Assembly votes for Cory, who lost to the more adroit and faster-moving Bob Moretti. Some observers at the time were surprised that Unruh had favored Cory over Moretti, who was thought to have been a favorite of the former speaker.

'They wanted Jesse . . .'

By his own account, Unruh took a slight pay cut to go after the treasurer's post vacated by Ivy Baker Priest, an office he won on the strength of name recognition. Unruh was impressed by the magnitude of his victory — a margin of 600,000 votes — but not surprised. "I think on balance the people decided they wanted Jesse Unruh in office again . . .," he said in the afterglow of victory. "This was a reasonably accurate test of Jesse Unruh vis-à-vis the people of California. There weren't many derogatory things said about me — not many complimentary ones, either. But I didn't spend a nickel on advertising."

But in office, Unruh has not been the zinging political figure some had expected. During the campaign he had bragged that he would make the treasurer's office "more visible" by virtue of the force of his personality. "It's my intention," he said, "to make the office zing." He made a splash by opting for a new luxury limousine within days of Governor Edmund G. Brown Jr.'s choice of a sensible sedan; there was a well-publicized meeting of the young Governor and the old pol — in the old pol's office; and there was the old Unruh twitting Jerry Brown's rather ascetic taste in the recorded music selected for playing from speakers in Capitol Park trees, and publicly applauding the subsequent concession to his own preference for country-western tunes.

Otherwise, the routine press releases announcing the sale of bonds and touting earnings to the state from invested funds have continued to emerge from the treasurer's office as they always have. In short, the office has slipped back into its traditional public osbcurity as the well-trained civil-service staff continues carrying on the day-to-day routines, whether the incumbent is in Tel Aviv or Brussels, as he was last month, or even in Sacramento.

But if this is the sort of power the office holds and if it wasn't for the salary that Unruh ran for treasurer, why did he? His expressed reason was no secret during the campaign. On the eve of the 1974 primary, for example, he told reporters: "I just feel a very strong urge, a compulsion, toward public service. I'm not too proud to start again at a lower level." That leaves the question: What's the next rung? Ironically, the publicity problems of two of Unruh's protégés, Cory and Lieutenant Governor Mervyn Dymally, could pave the way for another crack at the governorship, should Jerry Brown go off to bigger things. As Unruh once said: "That's why politics is so great; you never know how it's going to end."

TAHOE, continued from page 11

ment of a basin-wide, bi-state transportation plan resembling the California plan, the Nevada decision-makers will have to be convinced in another fashion, Bruner continued.

In the face of inter-state differences regarding Lake Tahoe, federal intervention seems to be the only answer (although pleas for such intervention have been ignored in the past).

Turning tide

Meanwhile, there is duplication of work by the two agencies, although the waste is minimized by CTRPA's use of much of TRPA's resources. A legal question of whether the CTRPA has the right to develop a plan conflicting with the TRPA is yet to be decided.

Even if Nevada appears uncooperative in California's eyes, the tide has turned in favor of the conservationists, according to Hooper. Governor Brown has shown his interest in halting growth at Tahoe by his appointments to the CTRPA and his attitude against any new highways into the basin. Former Governor Reagan's sympathies with the conservationists was obviously not as strong. Now that a plan has been adopted to stop major development in two-thirds of the Lake Tahoe basin, construction efforts are expected to be turned to redevelopment. It may be that business interests will opt to rebuild many of the neon-spangled structures along the North and South Shore strips to better reflect the mountain environment.

In addition, more public acquisition of land, especially of choice shoreline property, is expected. The U.S. Forest Service recently purchased 645 acres on the West Shore at Meeks Bay and is contemplating a land exchange with private landowners near Homewood, also on the West Shore. The state Department of Parks and Recreation acquired a seven-acre, beach-front parcel at Kings Beach last year and is developing it as a recreation area. Purchase of the Burton Creek property near Tahoe City and an addition to the Sugar Pine Point State Park are also in the state's plans. The Forest Service, which has spent $36,780,800 on land in the past 10 years at Lake Tahoe, is in the process of gaining title to 64 acres of Bureau of Reclamation land near Tahoe City.

An aggressive program of public acquisition and the fact that many developers are leaving the basin due to congestion and growth controls has to spell good news for those who want to see such a unique natural resource preserved for future generations.

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Land-use, education, malpractice ..and the predictably unpredictable

A year ago, who could have predicted that the most significant act of the 1975 Legislature would be passage of a landmark argicultural labor-relations act? The chemistry of the Legislature is such that is is virtually impossible to predict which issues will bubble to the top of the cauldron of controversy in any given year. Often those matters that appear complex and almost insoluble are settled quickly in bargaining sessions between rival factions. Those issues that look at the outset as though they were greased for an easy ride — such as collective bargaining for public employees last year — become enmeshed in political machinery and never get to the governor's desk. The best that can be done then in assessing prospects for a legislative session is to click off those topics that are virtually certain to be items of preoccupation. And topping the list for 1976 is the question of what will be done with the California Coastal Plan presented to the lawmakers December 1st by the California Coastal Zone Conservation Commission.

Coastline planning

The statewide commission and its six regional commissions are scheduled to go out of business at the end of this year under terms of the 1972 initiative (Proposition 20) that set the coastline planning into motion. Unless the Legislature takes some action, owners of coastal property will be free to develop their lands without state interference. But the chances are strong that the Legislature will establish some successor mechanism, and the starting point for discussion will be the 443-page proposal submitted by the commission as a master plan for the 1,072 miles of California's coast. The essence of the proposal:

A bond issue of at least $180 million should be put before the public next year to purchase high-priority lands.

Detailed plans for the conservation and development of the entire coastal zone would be adopted.

Local government would be responsible for carrying out the details of the plan, and the regional commissions would be abolished.

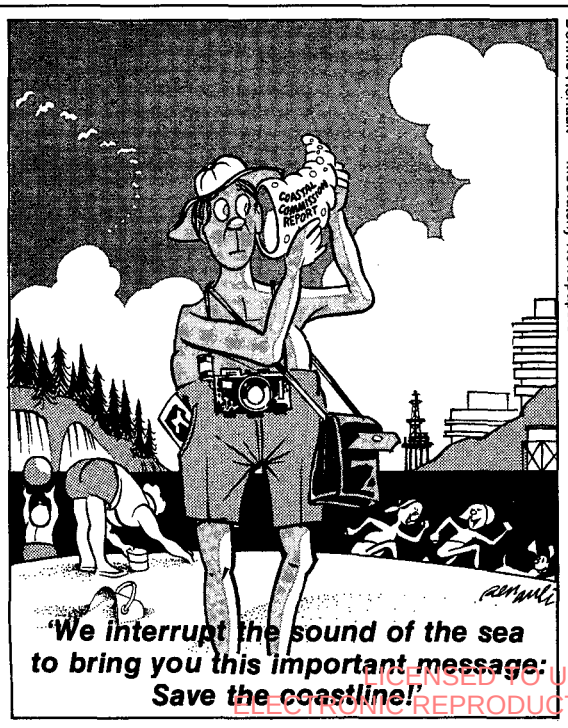
A 12-member state coastal commission would be created to continue planning and research, help local government implement the program and sit as a board of appeals from local decisions.

Funds for operation of the commission and for other coastal purposes would be obtained through increased fees on pleasure boats, a tax on hotel and motel accommodations in the coastal zone, and a levy on petroleum entering California (to pay for any oil-spill cleanup).

While the commissions propose a bond issue for purchase of property, they reject the notion that property-owners should be compensated for losses resulting from restrictions placed on the development of their land. This issue will probably be the mt t bitterly fought as the plan is p ented to the Legislature. Here is how the report justifies its no-compensation position:

The Coastal plan . . . would not take any landowner's rights. In some cases, it might change his expectations, but there are many factors other than the Coastal Plan that can influence future land values – for example, the value of land for second-home subdivisions depends, at least in part, on the price and availability of gasoline for driving to distant areas. Thus, there can be many reasons for financial success as well as financial reverses in the ownership of land, as in the ownership of securities or any other investment. Although no compensation for loss of expectations is legally required, perhaps there should be a public policy debate as to its desirability. At the very least, however, it could be difficult indeed to correctly measure declines in value. . . . And there is yet no tradition of public responsibility for guaranteeing the success of private investments in land or anything else.

The state Supreme Court recently reaffirmed the principle that public entities need not compensate property-owners when land is "down-zoned". But never has the court considered the question when a statewide zoning plan was at issue, and the California Realtors Association plans to make the compensation question a major battleground in


COASTAL COMMISSION REPORT
Dennis Renault — McClatchy Newspapers
'We interrupt the sound of the sea to bring you this important message: Save the coastline!'

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legislative consideration of the coastal plan.

Environmental groups seem to take it for granted that lawmakers will adopt a strong coastline protection measure as a successor to Proposition 20. In fact, the Sierra Club's John ozierold is giving his top priority this year to another land-use measure, a bill (AB 15) by Assemblyman Charles Warren establishing stringent new methods for preventing the urbanization of prime agricultural land. AB 15 and a rival plan by Senator Howard Way will probably be the vehicles for the first major legislative dialogse over agricultural land since adoption a decade ago of the Williamson Act (giving counties the option of reducing taxes for open lands to prevent their development).

For your copy . . .

Copies of the Coastal Plan may be purchased for $4.50 each from the State Documents and Publications Branch, P.O. Box 20191, Sacramento 95820.

Warren's AB 15 would create an Agricultural Resources Council within the state Resources Agency. The council would review local decisions affecting prime agricultural land and have the power to veto them. The bill would also prevent local governments from allowing development on land unless necessary to provide essential services, meet emergency needs or mitigate an adverse environmental impact caused by agricultural production. It also provides for the assessment of prime lands according to present, rather than potential, use.

Other issues the Legislature will consider:

Governor Brown's budget

Edmund G. Brown Jr. will submit a lean budget requiring no additional taxes. He will start the budget year with a surplus of $400 million or so, according to Legislative Analyst A. Alan Post, and the key question is how much of that will be used to balance the spending program, which will exceed $12 billion but probably not reach $13 million.

Medical malpractice

The doctors are not satisfied with the legislation adopted at the end of the 1975 session and are pressing for more relief from the rapidly rising rates in malpractice insurance. The medical establishment defeated the lawyers last year, but might not fare so well the second time around.

Agricultural labor relations

The new state Agricultural Labor Relations Board has drawn the ire of both the United Farm Workers and the growers. One of the prime complaints of the latter is that Governor Brown stacked the board 4-1 in favor of the UFW. Yet, the UFW's leader, Cesar Chavez, claims that the new board has significantly slowed the progress of his union in obtaining bargaining rights because the staff is inefficient. But the biggest problem for the Legislature is the fact that the ALRB has drastically overdrawn its bank account voted by the Legislature last year, and has been operating on a loan since November. This means that the Brown administration will be forced to ask the Legislature for more funds, and this will provide a battleground over the entire ALRB issue. Senator Clare Berryhill, who represents a central-valley district, has called for major changes in the five-months-old law to eliminate some of the pro-labor inequities he sees in th act.

Education

Eventually, the state may have to come to grips with the *Serrano* decision mandating a change in the way California public schools are financed. If the Supreme Court takes final action on the case early in 1976, this may be the year in which something finally happens. Governor Brown also has indicated that he will present the Legislature some proposals for reforming the state's public schools, including financing of education.

Transportation

Donald Burns, the secretary of business and transportation, announced last month that the Brown administration will request elimination of the 60-40 split of highway funds between the southern and northern parts of the state. The administration wants all highway funds put in the general fund so that freeways can compete with all other state projects for available money. Under this proposal the state Highway Commission would be abolished. Senate President pro Tempore James Mills sees no chance for legislative passage of this program. Mills himself is pushing for a gasoline-tax increase to fund transportation programs, and this measure faces a gubernatorial veto should it clear the Legislature. The Mills bill would have the effect of minimizing the wholesale layoffs in the state Department of Transportation, and other means will undoubtedly be tried to keep the highway-builders on the job.

Property Taxes

Assembly Speaker Leo T. McCarthy is giving high priority to a program to provide tax relief for homeowners hit hard by the rapidly escalating cost of residential property. A starting point will be a proposal by Assemblyman Dan Boatwright, chairman of the Assembly Revenue and Taxation Committee, to prevent further increases in residential property taxes and allow for rises only in other categories of real property.

Public-employee bargaining?

Conspicuously absent from this list is the major 1975 issue of collective-bargaining rights for public employees. The Legislature last year passed a measure giving a limited form of collective bargaining to school employees but neglected to establish a mechanism for state or local government workers. Governor Brown has cooled off his once-strong efforts in this area, and it is clear that the Legislature (with the exception of Assemblyman Howard Berman) has lost whatever enthusiasm it had for collective-bargaining proposals. [See "Whatever happened to collective bargaining?", *CJ*, November 1975.] The clincher was the election in San Francisco last November in which voters in the traditionally labor-oriented city displayed revulsion over the militancy of the city's police and fire employees. This was demonstrated by the vote on ballot propositions affecting city employees and by the surprise victory of a hard-line conservative, John Barbagelata, over Dianne Feinstein to win the right to face Senator George Moscone in last month's runoff to succeed Mayor Joseph Alioto (whose stock plummeted after he had yielded to salary demands of the police and fire organizations).

Undoubtedly, the most emotional issue of the year also is omitted from this analysis — simply because it is beyond the power of anyone to predict at this time what it will be. Even in orthodox times, forecasts are difficult. And with Jerry Brown lobbing occasional bombshells, predictions nowadays are downright impossible.

ED SALZMAN.

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California *NEWSBRIEFS*

Democrats hang on in Z'berg district as Fazio wins

Democrat Vic Fazio edged Republican Mike Abernathy December 2nd in the 4th Assembly District runoff to fill the seat vacated when veteran Democratic lawmaker Edwin Z'berg died last August. Abernathy went through the motions of demanding a recount at the urging, he said, of some of his backers, but Fazio's edge of some 500 votes, out of 49,609 cast, seemed unlikely to be substantially modified.

The district, in which Abernathy had previously lost narrowly to Z'berg a year earlier, covers a portion of urban Sacramento County and rural Yolo and Solano counties, marking a sizeable shift west — and to the right — of Z'berg's formerly solidly Democratic district.

Vic Fazio

Arabian dream fades — along with highway funds and jobs

The Saudi Arabian adventure did not last 1,001 nights, nor did it turn up any jobs for California Department of Transportation workers facing lay-off as the state's road-building program diminishes. The Saudis had expressed interest in hiring Californians to map a highway system for their oil-rich country. Governor Brown squelched the proposal, however, after that country's ambassador to the United Nations said that Jews would not be considered. "No agreement can be negotiated which does not include appropriate provisions guaranteeing nondiscriminatory employment," Brown said.

Moscone succeeds Mayor Alioto by some 4,000 votes

State Senator George Moscone edged conservative San Francisco Supervisor John Barbagelata by about 4,000 votes December 11th in their runoff election to succeed Mayor Joseph Alioto. Moscone vowed to exercise fiscal restraint despite charges by his opponent that the Democrat was one of the state's biggest spenders in Sacramento. "Jerry Brown the liberal has astonished everyone by his fiscal prudence," Moscone said, "and maybe Jerry and I together can prove that to be liberal doesn't mean to be irresponsible. You can also show respect for people's pocketbooks and purses."

Barbagelata's close running came amid voter dissatisfaction in a city with a heavy Democratic voter edge and liberal voting tradition. The Supervisor's staunch opposition to last year's strike by the city's fire and police employees was widely taken to have put him in the runoff with Moscone over Supervisor Dianne Feinstein.

Moscone's victory will necessitate a special election to fill his Senate seat. It will also create a vacancy in the post of Democratic floor leader, a job Moscone has held since 1967.

Reinecke conviction on perjury charge is overturned

Former Lieutenant Governor Ed Reinecke's conviction on a charge of perjury stemming from efforts to get the 1972 Republican convention for San Diego was overturned last month on a technicality. The United States Court of Appeal in Washington ruled that the Senate Judiciary Committee, to which Reinecke had given allegedly false testimony, was not a valid tribunal. The panel had adopted a rule saying that the presence of only one senator constituted a quorum — and only one was present when Reinecke testified — but the court held that because the rule had not been published in the *Congressional Record* it was invalid.

Reinecke, who resigned his office before being forced out by the conviction, was considering a number of options for his future — including running for political office. Gratified by the ruling, he nonetheless maintained his innocence and said he wished that the court had ruled on the substance of the charge against him. [See, "The downfall of Ed Reinecke," *CJ*, September 1974.]

Ed Reinecke

End reported in dispute over logging rules

The Brown administration and Northern California loggers apparently buried the hatchet last month in their year-long dispute over rules governing the harvesting of the state's timber resource. The agreement sets up new environmental standards for the industry but exempts it from preparing environmental impact reports on each new project.

The state Board of Forestry voted 5 to 3 to accept the new rules, but public hearings must yet be held. Under the tentative pact, the board would have to tighten the environmental standards it applies in reviewing applications, and the state forester would have the authority to block logging operations deemed to be environmentally harmful, according to Resources Secretary Claire Dedrick.

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THE ALMOST-POWERLESS GOVERNORS

Why the state budget keeps on growing

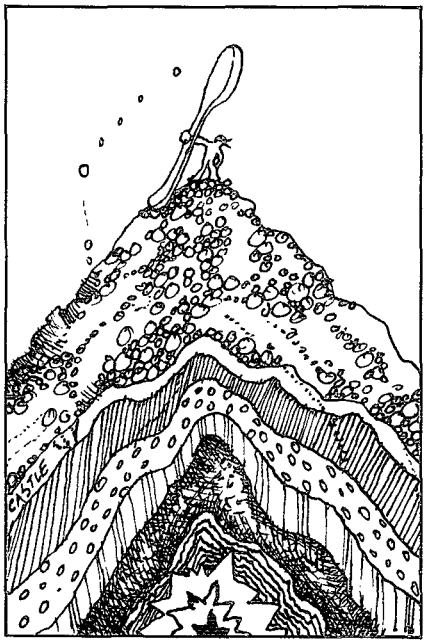
How much can a governor do to halt the upward spiral of state spending? Despite Ronald Reagan's cost-cutting efforts, budgets increased rapidly during his eight-year tenure. Edmund G. Brown Jr. is preparing the first budget in which he has had time to investigate each aspect of state spending in some depth with his own crew, but it remains to be seen whether his approach of making departments justify every penny of spending will be effective in cutting the cost of government. The following article outlines the recent history of state budgets and analyzes the major fiscal issues faced by Brown.

By JEROME EVANS

After a careful study of budget management in Illinois several years ago, Thomas Anton compared a state's budget "to a huge mountain, which is constantly being pushed higher and higher by underground geologic convulsions. On top of the mountain is a single man, blindfolded, seeking to reduce the height of the mountain by dislodging pebbles with a spoon. That man is the governor."

The analogy may or may not fit Governor Edmund G. Brown Jr., but it certainly describes the growth of this state's budget over the last quarter-century. Despite the well-publicized economy efforts by Governors Earl Warren, Goodwin Knight, Edmund G. Brown and Ronald Reagan, each year's budget has been substantially larger than its predecessor. In fact, the average annual growth rate for state spending since 1950-51 has been about 11 percent. The $11.2 billion budget that Jerry Brown signed last July is 11 times as large as that of 25 years ago, and three times as large as the budget of only 10 years ago.

This does not square with the rhetoric used by the governors to describe their efforts at budget cutting. Pat Brown, for example, spoke frequently during his second term of his "bare-bones" budgets, although state spending during that four-year period nonetheless grew at an average rate of 11 percent per year. Reagan, upon taking office in 1967, pledged to "cut, squeeze and trim until every ounce of fat is removed from state spending." Yet the budget continued to grow, averaging better than 10 percent per year during his first term and nearly 15 percent during his second.



People and prices

Much of the growth in state spending during the 1950s and 1960s reflected rapid population growth. With the number of Californians nearly doubled, there was a corresponding need for more schools, highways, law-enforcement officers and public assistance. Still, population growth alone accounts for just 53 percent of the increase in expenditures from 1950 to 1975. Thus, while the state's population nearly doubled in the 1950s and 1960s, state spending per capita nearly quadrupled.

Rising prices were another major factor in expenditure growth during this period. A rough measure of the impact of price increases can be gained by using the California Consumer Price Index to produce a "constant dollar" cost of state services. This greatly deflates the increase in expenditures per capita, indicating that inflation accounts for about two-thirds of the percentage increase in state spending per capita (or about one-half the dollar increase) over the last twenty-five years.

In short, most of the rising cost of state government — as much as 85 percent — seems to have resulted from population growth and rising prices rather than from expanded services or careless spending.

Slicing the pie

Some state services have grown considerably over the last quarter-century, while others have remained largely unchanged or have even declined. The most important changes can be shown by identifying the prin-

This article is drawn from a study of state fiscal affairs soon to be published by the Public Affairs Research Group. The author is a former associate editor of the Journal.

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Annual Increase in Total State Expenditures by Gubernatorial Term, 1950-51 through 1975-76

Governor	Fiscal Year	Annual % Increase	Average Annual Increase
	1951-52	6.1%	
Earl Warren &	1952-53	10.2	
Goodwin J. Knight[1]	1953-54	17.4	
	1954-55	3.0	9.2%
	1955-56	7.7%	
	1956-57	13.0	
Goodwin J. Knight	1957-58	9.2	
	1958-59	2.1	8.0%
	1959-60	8.0%	
	1960-61	21.1	
	1961-62	9.5	
	1962-63	12.3	12.7%
Edmund G. Brown	1963-64	10.2	
	1964-65	12.1	
	1965-66	8.9	
	1966-67	13.9	11.3%
	1967-68	8.2%	
	1968-69	17.4	
	1969-70	13.4	
	1970-71	4.0	10.7%
Ronald Reagan	1971-72	2.6	
	1972-73	15.9	
	1973-74	24.8	
	1974-75	16.0	14.8%
Edmund G. Brown Jr.	1975-76	8.3%	—

1 Warren's third term. Knight succeeded Warren in October 1973 when Warren was appointed to the U.S. Supreme Court.

cipal categories of expenditure and comparing their growth patterns since 1950-51. And such an analysis shows that state spending has been concentrated in three areas: education, health and welfare, and tax relief and shared revenue (taxes collected by the state and redistributed among the cities and counties). In 1975-76, as in 1950-51, these three categories account for about four-fifths of total current expenditures. And of these three, education is by far the largest, accounting for nearly 37 percent of current expenditures this year.

It's somewhat surprising to find, however, that expenditures for education — having risen to 47 percent of current expense in 1960-61 — are now back to about what they were in 1950-51. This is largely due to a slackening in the growth of school apportionments under state-aid formulas. Although the Legislature has repeatedly raised state support per attendance unit, the slow-down in enrollment growth between 1966 and 1973 and the decline in enrollment thereafter has more than offset the increase in unit costs, releasing state support for other purposes.

For several years much of this was absorbed by the state's public colleges and universities. But as enrollment at these institutions has also stabilized or, in some cases, begun to decline, there has been a significant shift in resources away from education and into other areas. In the absence of a massive increase in state aid for the public schools to equalize educational funding in response to the *Serrano* court decisions, this shift is likely to continue.

Expenditures for health and welfare — chiefly welfare payments, Medi-Cal benefits, and care for the mentally ill — have followed a very different path. While spending for education was rising rapidly during the 1950s, the share of state resources going to health and welfare was falling, from nearly 26 percent in 1950 to about 20 percent in 1960. Welfare programs, which had claimed nearly 19 percent of current expenditures during the recession of 1949-50, took only about 11 percent by 1960. Then, just as education's share of the budget began to decline, allocations to health and welfare rose. This resulted in large part from enactment of Medi-Cal in 1965, the costs of which increased within only three years to nearly 7 percent of current state expenditures. Since then, however, the costs of Medi-Cal have risen much less dramatically and now appear to have leveled off at between 8 and 9 percent of current expense. In the meantime, spending for welfare programs has remained close to the 1960 level. And spending for mental health has dropped from a high of nearly 7 percent in 1960 to less than 3 percent this year.

Tax relief

Perhaps the most striking change in state spending has occurred in the area of tax relief and shared revenue. Shared revenue (mainly cigarette taxes and motor-vehicle license fees and fuel taxes) has fallen to about half of what it was in relation to total state spending in 1950, but this drop has been overshadowed by the rapid growth of tax-relief payments to cities, counties, and school districts since 1967. The tax-relief measures enacted between 1967 and 1972 were intended primarily to shift some of the growing burden of local-government costs from the property tax to state-collected sales and income taxes. But they also served as a way of reducing the large state surplus that began to accummulate in 1972 and 1973. As a result, nearly one-quarter of the increase in state spending between 1968 and 1974 is attributable to property-tax relief payments. And the total cost to the state is now $1.2 billion, about 11 percent of total state spending.

In only two other areas have expenditures risen in relation to total state spending — law enforcement and debt service. Expenditures for law enforcement and corrections rose from 3.6 percent of current expense in 1950 to 5.5 percent in 1965 and have remained at about that level. Expenditures for debt service — the payment of principal and interest on state bonds and other debt instruments — grew from less than 1 percent in 1950 to nearly 4 percent in 1966, but have been declining since.

Upward bound

State expenditures for transportation have declined somewhat relative to other expenditures since 1950, as have expenditures for agriculture and those costs lumped under "general government" (chiefly the costs of operating the principal executive offices, the courts, the Legislature, and the state's financial management agencies). Expenditures for commerce

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and industry and for employment and industrial relations have remained relatively small and constant.

Controlling and directing state expenditures thus is a far more difficult task than one might imagine. Although many opportunities exist for a governor to make symbolic gestures of concern for the tax-paying electorate, what basically determines the level of state spending each year are the business cycle, the rate of inflation, population growth, and school and college enrollment. However significant spending freezes, budget-item vetoes, program reforms and other economy measures may appear to be when adopted, they nearly always prove over time to have had only a marginal effect, producing some readjustment of spending patterns but no real reduction in the constant upward pressure on the budget.

Moreover, succeeding governors have had very few real opportunities over the last quarter-century to slow the rise in state expenditures. Pat Brown might have sought to hold down Medi-Cal costs by demanding more restrictive provisions when the program was enacted in 1965, but the long-term effect of having done so would probably have been insignificant. Nor have subsequent efforts to save money by cutting back services and increasing user fees been particularly successful. Reagan might have opposed, rather than supported, the rapid expansion of property-tax relief during his administration. But the result might well have been negligible with respect to total state spending; what did not go to tax relief would almost surely have gone to increase aid to the public schools. Each governor might have sought to hold back rising civil-service salaries (as Reagan did for a short period and as Jerry Brown now seems interested in trying), but there is little reason to believe that they would have succeeded in holding the line over an extended period of time.

Taxing gambit

It seems probable that the only way a governor can hold down state spending for more than a year or two is by opposing in whole or in part periodic proposals for general tax increases to pay for budgeted spending increases. By taking advantage of the popular distaste for tax increases of any kind, a governor can restrict revenue growth and thus force a slowdown in spending increases without directly confronting the many supporters of each major service for which more money is demanded.

Ronald Reagan eventually came to understand this, but tried to carry it too far, devoting much of his energy in his next-to-last year in office to an unsuccessful attempt to write a tax ceiling into the state Constitution. Governor Brown is carrying on Reagan's fight against major tax increases (not necessarily for the same reason) through his continuing opposition to a general tax increase. Indeed, Brown has found it relatively easy to do so, despite the hopes of many administrators that he would be more receptive to their proposals than his predecessor, because of popular opposition to increases in sales or income taxes. If Brown is able to avoid a major tax increase throughout his first term, however, it will be because he inherited a substantial reserve and has been able to supplement it with relatively small but still important amounts of additional revenue squeezed from the existing tax structure by means of several tax "reform" measures.

Beating the business cycle

This raises another important point: If the present state tax structure tends to produce too little revenue during recessions and too much in periods of expansion, as experience over the last five years suggests rather strongly, it may be time to reexamine the merits of establishing a countercyclical reserve to carry the state through the ups and downs of the business cycle. Under such a system, it would be mandatory that governors and legislators not spend all of the surplus built up in periods of economic expansion so that the state would be able to carry on all essential services during subsequent recessions. In the absence of such a substantial reserve, the state is likely to be caught between a cutback in important services or enactment of a general tax increase to carry it through a prolonged recession. Either action would tend to worsen the recession, and a tax increase would only add to surplus revenue once recovery is under way.

The other principal alternative would be to rely upon the federal government for countercyclical aid. Federal countercyclical payments to state and local governments are now being discussed in Congress in connection with legislation to extend the State and Local Fiscal Assistance Act of 1972 (general revenue-sharing). But it is difficult to reconcile such payments with a belief in the responsibility of state governments to manage their own affairs.

Percentage Distribution of Current State Expenditures at Five-Year Intervals, 1950-51 Through 1975-76.

Purpose	1950-51	1955-56	1960-61	1965-66	1970-71	1975-76
Education	37.6%	46.9%	47.3%	44.5%	39.7%	38.6%
Health & Welfare	25.7	19.7	19.2	21.7	26.5	26.0
Tax Relief & Shared Revenue	15.7	16.1	13.0	13.4	16.2	18.6
Law Enforcement & Corrections	3.6	4.7	5.1	5.5	5.5	5.1
Transportation	4.0	1.5	4.3	3.9	3.3	3.2
General Government	3.6	3.4	2.8	2.5	2.2	2.4
Resources & Environment	2.6	2.5	2.8	2.5	2.0	2.0
Debt Service	0.6	1.1	1.8	2.8	2.6	1.7
Commerce & Industry	0.9	1.2	1.2	1.1	0.8	0.8
Employment & Industrial Relations	0.6	0.5	0.6	0.6	0.5	0.6
Agriculture	1.3	1.7	1.3	0.9	0.5	0.4
All Other	3.0	0.7	0.6	0.6	0.2	0.6
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

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1975 INDEPENDENCE RATINGS

A conservative trend among Democratic lawmakers

If the voting records of legislators during the 1975 session are any indicator, more pronounced conservative blocs are developing within the Democratic caucuses in both the Senate and Assembly. Eight of the 25 Democrats in the upper house bolted the party majority at least 20 percent of the time on important votes, compared to five in 1974 and four in 1973. Two veteran senators, George Zenovich and Ralph Dills, posted considerably more independent voting records in 1975, and their roll-call pattern moved them from the ranks of the moderate liberals within the party to the conservative end of the spectrum. In the Assembly, the Democratic conservative bloc used to consist of only a handful of lawmakers. But in 1975, the ranks of the conservatives jumped to a dozen or so, primarily because six freshmen displayed decidedly conservative voting patterns.

George Zenovich

Ralph Dills

The statistical analysis that follows is designed to show the independence quotient of each legislator — how often he or she voted against the party majority on key roll calls. These figures show that in the Senate, Republicans Milton Marks and Peter Behr continued to vote consistently against the GOP majority. Among Senate Democrats, Walter Stiern of Bakersfield and three others failed to vote with a majority of their colleagues more than 40 percent of the time. In the Assembly, veteran Democrat Pauline Davis continued to lead her party in independent voting, and two freshmen, Richard Robinson and Larry Chimbole, took the second and third places. Among Republicans, Richard Hayden shot from 16th place a year ago to top his party's list — possibly as a result of an increasingly liberal trend among his Santa Clara County constituents.

Generally, the highest independence ratings are posted by liberal Republicans and conservative Democrats.

There were several significant changes of voting pattern in the Senate. Dills' independence rating jumped from 12 percent in 1974 to 32 percent last year, and Zenovich tacked on a dozen points, moving from 14 to 26. As a result of the conservative trend, the Democratic independence quotient moved up three points, from 13 to 16. Senate President pro Tempore James R. Mills voted almost always with the Democratic majority in 1974, but he bolted the party 14 percent of the time in 1975. The Republican voting patterns remained more consistent, although Robert Stevens moved up nine points, from 19 to 28. Conservative H.L. Richardson is an exception to the rule that high independence ratings are signs of liberalism among Republicans. His rating jumped from 14 to 25.

Here are the Senate rankings:

SENATE

DEMOCRATS

(74 votes)

	1975%	1974%	1973%		1975%	1974%	1973%
Stiern	49	43	23	Garcia	9	—	—
Wedworth	42	37	27	Beilenson	8	12	17
Collier	41	43	35	Song	7	5	3
Holmdahl	40	33	27	Dunlap	6	—	—
Dills	32	12	15	Gregorio	6	7	17
Zenovich	26	14	7	Moscone	6	4	8
Ayala	21	18	—	Robbins	6	3	7
Presley	20	—	—	Rodda	6	7	10
Average	**16**	**13**	**14**	Alquist	5	3	7
Mills	14	1	8	Smith	5	—	—
Kennick	12	21	12	Greene	4	—	—
Petris	10	4	10	Holden	3	—	—
Rains	10	7	—	Roberti	3	3	5

How the ratings were compiled

Only key votes printed in the *Journal*'s "Roll Call" during the year were included in the analysis. All unanimous party votes were eliminated, as were those in which there was no clear party majority for or against a measure.

That left only votes in which there were clear majority and minority positions within each party in either house. Absences were not counted either way. (In previous years they were counted as votes with the majority.)

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REPUBLICANS
(78 votes)

	1975%	1974%	1973%		1975%	1974%	1973%
Marks	61	51	57	Deukmejian	15	15	14
Behr	58	43	61	Schrade	14	14	10
Nejedly	30	35	40	Carpenter	13	19	16
Stevens	28	19	16	Russell	13	—	—
Grunsky	27	26	17	Way	13	15	14
Richardson	25	14	17	Cusanovich	10	15	19
Average	**23**	**21**	**20**	Stull	10	21	14
Whetmore	20	17	13	Berryhill	8	14	14

In the Assembly, there was a decided conservative trend that moved the average up five points, from 9 to 14. Aside from Robinson and Chibole, those freshmen posting conservative voting trends are Bill McVittie, Carmen Perino, Tom Suitt and John Garamendi. One lawmaker, John Knox of Richmond, recorded an independence rating markedly lower than 1974's; Knox went down from 19 percent to 4.

The Assembly ratings:

ASSEMBLY

DEMOCRATS
(89 votes)

	1975%	1974%	1973%		1975%	1974%	1973%
Davis	51	47	43	Carpenter	11	—	—
Robinson	33	—	—	Egeland	11	—	—
Chimbole	33	—	—	Foran	11	8	12
McAlister	31	24	24	Mori	11	—	—
Wilson	30	22	14	Tucker	11	—	—
McVittie	28	—	—	Kapiloff	9	4	12
Perino	25	—	—	Meade	9	6	2
Suitt	24	—	—	Vasconcellos	9	7	8
V. Thomas	24	18	24	Chel	8	—	—
MacDonald	23	10	14	Lockyer	8	6	—
Thurman	23	11	22	Keysor	7	7	4
Cullen	22	22	26	Torres	7	—	—
Miller	20	12	8	Hart	6	—	—
Garamendi	18	—	—	Vicencia	6	—	—
Greene	18	8	10	Alatorre	5	4	4
Papan	17	6	18	Calvo	5	—	—
Bane	16	—	—	Goggin	5	—	—
Z'berg	16	13	14	Keene	5	5	12
Boatwright	15	6	10	Siegler	5	—	—
Chacon	15	11	18	Wornum	5	—	—
Deddeh	15	16	12	Knox	4	19	8
Gualco	14	—	—	Warren	4	8	6
Ingalls	14	10	8	Berman	3	4	6
Average	**14**	**9**	**11**	McCarthy	3	2	10
Montoya	14	4	12	Rosenthal	2	—	—
Sieroty	14	8	4	Ralph	1	0	2
Fenton	13	10	12	Dixon	0	6	4
Brown	12	5	4	Hughes	0	—	—

REPUBLICANS
(80 votes)

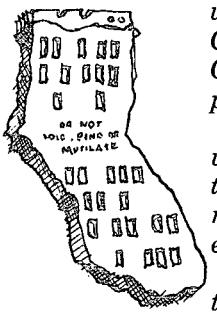
	1975%	1974%	1973%		1975%	1974%	1973%
Hayden	45%	17	30	Collier	17	18	32
Maddy	39	31	28	McLennan	17	22	15
Arnett	35	23	19	Antonovich	16	24	32
Nestande	34	—	—	Craven	16	15	21
Murphy	32	20	28	Nimmo	15	13	17
Duffy	29	20	21	Bannai	14	11	24
Lanterman	24	8	14	Burke	14	29	29
Briggs	23	14	16	Campbell	14	—	—
Priolo	23	18	23	Lancaster	14	18	25
W. Thomas	23	—	—	Badham	13	21	32
Cline	22	17	25	Beverly	11	13	23
Average	**21**	**18**	**23**	Chappie	11	11	7
Lewis	20	16	26	Mobley	5	16	19

Only one lawmaker posted a perfect loyalty record for the year — that is, voted with the party every time. That was Democratic caucus chairman Julian Dixon. (Freshman Teresa Hughes also went with the party majority every time but was elected so late in the session that she voted on relatively few measures.) There may be some connection between Dixon's voting record and his party post, because his counterpart in the Senate, David Roberti, had the lowest independence rating among upper-house Democrats. (This is not true of Republicans. The GOP Assembly caucus chairman, Frank Murphy, had a high independence rating; Senate chairman Dennis Carpenter was about average.)

Among Assembly Republicans, several veterans (led by Hayden) posted considerably higher independence ratings, including Ken Maddy, Dixon Arnett, Murphy, Gordon Duffy and John Briggs. Two freshmen, Bruce Nestande and William Thomas, gave indications in their first year that they do not consider consistently voting with the party majority much of a virtue.

STATE DATA PROGRAM

What you always wanted to know . . . but didn't know where to ask



A legislative candidate wants to know how the Catholics in a specific area of California feel about capital punishment.

A law-enforcement agency wants to determine how large a target area the typical California burglar uses as a base of operations.

A political reporter wants to trace the changing partisan trend in Orange County.

Where can this information be obtained with a minimum of both effort and cost? Because the Legislature appropriated $97,000 last year to the University of California, under AB 2420 (Vasconcellos), information of this type is now available to the general public. Known officially as the State Data Program, the information pool can conduct almost-instant analyses based on census data, legislative roll calls, state criminal statistics and all California Polls conducted between 1957 and 1975.

William E. Bicker, director of the program, said that some office-holders and organizations have made extensive use of the information but that "non-incumbents don't even know we exist". Anyone desiring to use the computerized information should contact the program office in Moses Hall at the University of California, Berkeley. Bicker estimates that it would cost $10 million to gather the data now in the program bank.

The program was started with $6,000 as a teaching experiment. Last year, the university decided that it could no longer fund the operation, and the legislative proposal was introduced to keep the program in business. Bicker said that the cost of answering the typical request for information is about $100 and often less.

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NEWSMAKERS

More empty chairs in the Senate

Two more Republican state senators, **James Whetmore** of Orange County and **Clare Berryhill** of Stanislaus County, announced that they would not seek re-election next year. **Howard Way** of Tulare County and **Donald Grunsky** of Watsonville had previously announced their retirement from the Senate. (One Democrat, **George Moscone,** will vacate his seat to move into San Francisco City Hall.) Whetmore would have faced stiff opposition in the GOP primary from Assemblyman **John Briggs,** but the other three challengers withdrew primarily for personal rather than political reasons. Whetmore, 62, said he was quitting on the advice of his physician.

Two of Governor Brown's top aides resigned. **Paul Halvonik** resigned for personal reasons. He had been Brown's chief liaison with the Legislature. And **Robert Gnaizda,** deputy director of health and welfare, quit after one year to return to poverty-law work in San Francisco, saying that he had agreed to serve Brown for only six months to a year. Also quitting: former FBI agent **William A. Sullivan** after only six months as director of the Alcoholic Beverage Control Department, and state printer **Herb Silvius,** a holdover from the Reagan administration.

Chief Justice **Donald R. Wright** of the state Supreme Court was hospitalized in the coronary unit of a San Francisco hospital. Wright, 68, who has designated Associate Justice **Raymond Sullivan** as acting chief justice, underwent heart surgery in 1973 . . . . **Jay Michael,** former University of California vice president for legislative affairs (read "lobbyist"), was named director of governmental relations for the California Medical Association (read "lobbyist").

John Lynch

John W. Lynch, 77, chairman of the state Board of Equalization, died December 4th in Fresno. Governor Brown will name a successor for the nine-county district headquartered in Fresno. Lynch, a Democrat, was first elected to the board in 1958. . . . **Jay Shavelson,** an assistant state attorney general who specialized in oil issues, shot himself to death at 48. . . . **Henry C. MacArthur,** long-time Sacramento journalist and owner-manager of Capitol News Service for 20 years, died at 70. . . . **Anson Cruthers Boyd,** state architect from 1940 to 1962, died at 79. . . . For the first time in state history, a driver's license examiner died from injuries sustained in a license-test accident. The victim, **Vincent W. Jones,** 62, had conducted 132,000 tests — more than any other examiner.

An attorney in the Department of Motor Vehicles, **Catherine D. McAndrew,** filed a federal class-action suit against the state, charging sex discrimination against female employees. She demanded more than $233 million in back pay for women workers. . . . **David Harris,** the former draft-resister and ex-husband of singer Joan Baez, announced his candidacy for the Democratic nomination for the congressional seat held by liberal Republican **Pete McCloskey.**

Appointments by Governor Brown: Secretary of State **March Fong Eu** as California's chief of protocol; **Josiah Beeman,** longtime associate of Congressman Phil Burton, as California's lobbyist in Washington; **Fred R. Epstein,** a former legislative aide, as chief of the state Office of Information Services; **Irene Tovar,** executive director of the Chicano Coalition of Los Angeles County, to the state Personnel Board; **Betty Lim Guimaraes,** chief of operations of the San Francisco Office of Manpower, to the Fair Employment Practices Commission; **Harry E. Garb** of San Diego and **Jean B. Trapnell** of Los Angeles, to the Board of Governors of the California Community Colleges; **Leon S. Kaplan,** deputy Los Angeles public defender, to the Youth Authority board.

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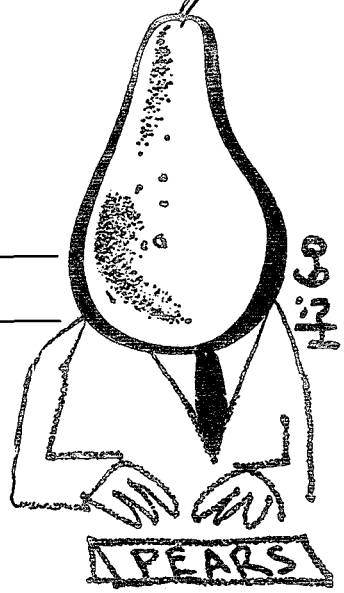
UNLESS YOU DRINK BOOZE OR MILK . . .

The sudden demise of the fair-trade laws



By Robert Tucker

"For years," Attorney General Evelle Younger recently observed, "we have been in the schizophrenic position of prosecuting people for violating antitrust laws, on the one hand, and using the might and majesty of the State of California to protect fixed prices, on the other. I think it's time we decided whether we believe in competition . . . ."

Economists, consumer advocates and governmental analysts have said for years that governmental encroachment into the market-place decreases competition and increases prices. But now the issue is gaining a wider audience, and politicians, too, have begun questioning the state's so-called fair-trade laws. These "retail price maintenance" laws include the Fair Trade Act, pricing laws applying to liquor, state-imposed price controls on the sale of milk, and state marketing orders. The major questions: Who benefits from these laws and are they still necessary?

Depressed origin

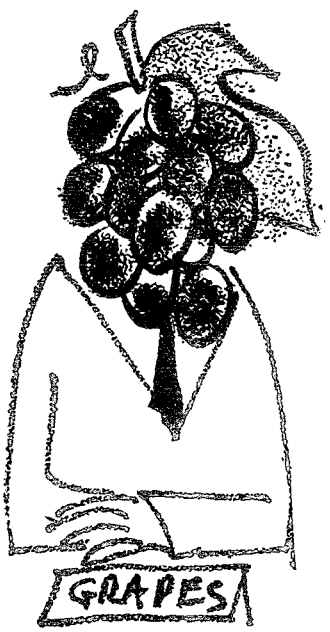
The "retail price maintenance" laws, a product of the depression of the 1930s, were devised to protect small businesses from destructive price-cutting wars and unfair competition. The Legislature repealed the 44-year-old Fair Trade Act last summer, indicative of the prevailing mood of re-examination regarding the remaining laws. What follows is a rundown on those now under attack:

THE FAIR TRADE ACT

California's Fair Trade Act allowed manufacturers or distributors to dictate the minimum price that retailers could charge for clothing, housewares, hardware, paint, jewelry, watches, silverware, photo supplies, toys and newspapers. When the repeal takes effect in January and open competition returns, will the independent, "mom and pop" stores be forced out of business by large discount chains? Assemblyman Alister McAlister, who sponsored the repeal in the lower house, argued that the number of retail establishments in "free trade" states increased by 5 percent between 1958 and 1967, while the number decreased by more than 2 percent in "fair trade" states. The emotional appeal of the "mom and pop" argument, moreover, has been reduced as more and more nationally franchised "convenience" stores have replaced neighborhood grocers. As for the law's effect on consumers, economist Lawrence Shepard of the University of California estimates that the price supports cost the average family about $120 a year.

THE LIQUOR LAW

The Fair Trade Liquor Law allows a manufacturer to set a minimum sales price, which is enforced by the state Alcoholic Beverage Control Board. Legislative Analyst A. Alan Post, a long-time critic of the law, has written that "the real objective of liquor pricing is to maximize profits for the liquor industry under the guise of protecting the consumer." Post estimated that California consumers would save $81 million a year in lower prices by a return to competitive pricing. While the stated intent of the law is to "foster and promote temperance in the consumption of alcoholic beverages", California has the nation's second-highest rate of alcoholism. Studies by the Department of Finance and the Senate Select Committee on Laws Relating to Alcoholic Beverages both urge repeal of the laws, but so far efforts to phase them out of existence have been killed by the state's liquor lobby.



STATE MILK LAWS

The state's wholesale and retail minimum-price controls on milk are justified by claims that, without them, disruptive price wars among retailers would develop and that the laws are to insure a continuous supply of fresh, wholesome milk. Critics counter that what the controls really do is assure higher retail milk prices and encourage monopoly control of the dairy industry.

At the producer level, major upheavals are already taking place. Between 1962 and 1972, 40 percent of the state's independent milk producers went out of business, and this trend continues. Better than half the milk sold in California's metropolitan areas is marketed either through supermarket chains that own the entire marketing system from cow to shelf, or through joint-venture operations in which independent retailers own and operate a common processing plant. Under state-imposed whole-

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sale-price controls, these new marketing methods work against distributors who buy milk from dairymen and sell it to retail stores; they are being pushed out of business by the vertically integrated and joint-venture operations. Some economists argue that the setting of price controls encouraged creation of these new marketing systems, which enable retailers to avoid paying minimum prices to wholesalers. The Federal Trade Commission, which studied milk laws, supports this argument. "State regulation is considered particularly important in explaining the high amount of food-chain vertical integration in California," the FTC report concluded.

On November 18, 1973, the state Department of Food and Agriculture temporarily suspended wholesale-price controls in the Sacramento area, and later extended it throughout the state. The department had concluded that industry changes rendered much of the law meaningless. But the present director wants to retail the law so that it can be reimposed if necessary in the future. Now that the wholesale-level controls have been lifted, however, consumers want retail-level controls suspended, too, contending that these keep retail prices artificially high. A trial suspension begun last April in the Sacramento area seems to support that view, since many supermarkets lowered the price of a half-gallon by up to 11 cents. But less than a week later, Food and Agriculture Director Tom Wallace called hearings to determine whether several stores were selling "below cost" — illegal in the sale of milk. Consumer groups appear undaunted by the failure of the Legislature to repeal the milk-price controls this year, and will resume their push when the Legislature reconvenes.

STATE MARKETING ORDERS

California's agricultural marketing orders, which permit growers and processors to unite for self-regulation, promotion and research, have also been criticized as causing higher prices and creating "agribusiness cartels" operating under the benign eye of the state. Supporters insist that the programs stabilize prices and insure a dependable supply of high-quality farm products.

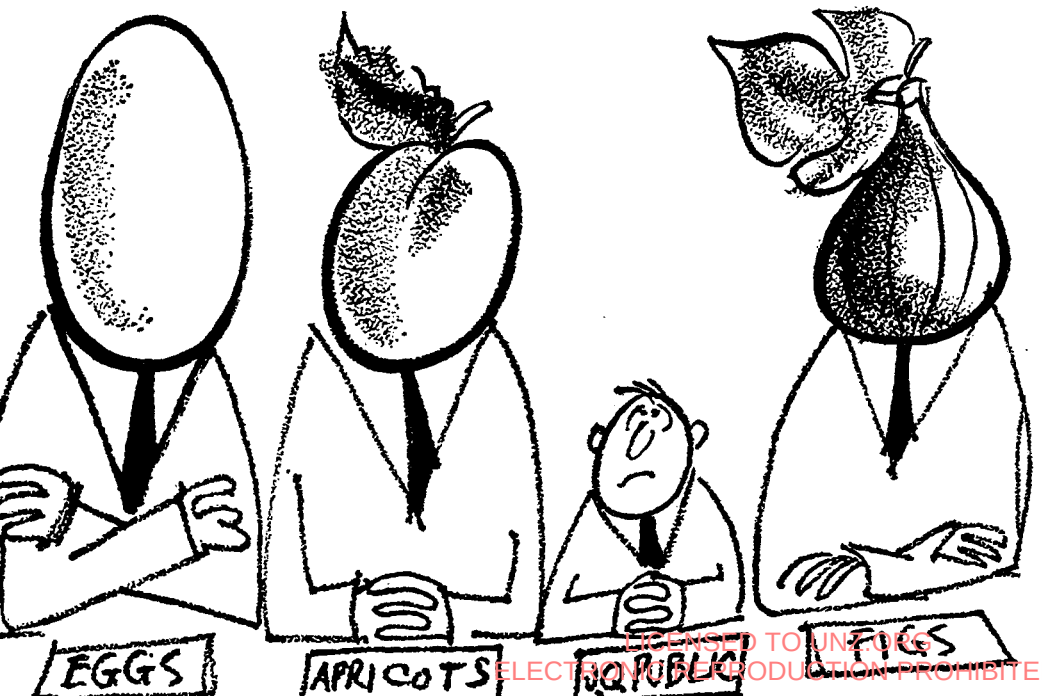
Legislation authorizing their creation, the Marketing Act of 1937, was a product of the depression, when the bottom fell out of farm prices. The law permits the setting of marketing quotas and the controlling of market supply through surplus pools and other methods. It also authorizes growers to correlate commodity marketing with demand, establish orderly marketing patterns, provide for uniform and proper preparation of commodities, and devise methods to develop and maintain markets — all to be carried out under marketing orders. (A "marketing order" is a public document drawn up by the Department of Food and Agriculture specifying what each individual program may engage in.) The Department of Food and Agriculture is responsible for supervising the marketing orders and collecting the grower-assessed fees that fund them (more than $24 million last year). And the department's director approves the nomination of all members of the advisory boards that administer the orders.

A marketing order is set up only after a majority of the members of a commodity group vote favorably to establish one and the agriculture director approves the action. All members of the commodity group must thereafter live by the dictates of the marketing order (which is exempt from anti-trust legislation under terms of the Marketing Act of 1937).

Critics object to the close ties between producers and state government promoted by the marketing act. They contend that, although the law requires marketing orders to be administered in the public interest, the programs mostly work against the consumer. While such overt methods of inflating product prices as withholding goods from market have waned in recent years, consumer advocates do not see an end to what they contend is price manipulation. Regular adjustments of quality standards — such as those conducted under the pear and grapefruit marketing orders — are singled out as means of artificially raising prices under the guise of protecting the consumer.

By far the most common type of marketing orders are those established to conduct research or engage in promoting products. Consumer organizations find advertising campaigns, such as the Milk Advisory Board's "Every Body Needs Milk" campaign, to be inappropriate for "public instrumentalities", while criticizing research sponsored by marketing orders as benefiting only large growers.

Criticism of the scope of self-regulation now centers on the question of public representation on marketing-order advisory boards. To consumer groups, the Department of Food and Agriculture does not look out for their interest. (The present director, Tim Wallace, announced shortly after taking office last January that he is "grower oriented" and does not intend to "sell out" to consumer groups.) While most advisory boards are taking on one consumer representative, at the request of Governor Brown, this falls short of the expectations of consumer activists. Yet, a bill to require that at least one-quarter of each board be composed of public representatives was roundly defeated in the Legislature. Growers, on the other hand, vehemently oppose any change in the membership, claiming that, since they pay for the programs, they should control them.



The author prepared this article while working as an intern with the Journal's *editors.*

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A WASHINGTON PERSPECTIVE...

By Lou Cannon

A long way from Grand Rapids

The grim landscape of the mind that many Americans call China was altered beyond recognition for those correspondents who accompanied President Ford on his summit meeting to Peking. Few Americans would want to trade the lifestyle of, say, Pasadena for that of Peking. And fewer still would confuse the PRC, as the State Department chaps call it, with a society that has a remote concern for the consent of the governed. Nevertheless, after only five days in a country that is home to nearly one-fourth of the world's people, even the most insensitive American must have realized that the mobilized, anthill China of modern American stereotype is as insufficient a conception as the "picturesque" China stereotype of warlords and coolies that it supplanted. Reporters were able to wander far afield, interviewing ordinary citizens and pricing food in grocery stores. We found the Chinese communicative, curious and often friendly. We also found them well-fed and adequately clothed for the rigors of a harsh winter, even though suffering from an acrid smog, which is the product of the low-grade coal burned in Peking homes and factories.

* * *

There is no cult of personality in China. There is instead a cult of Mao Tse-tung thought. Except for such showcases as the Great Hall of the People and the Peking Airport, Mao's picture is no more intrusive than Richard Nixon's used to be in the Washington that was. But billboards with Maoist slogans are everywhere. One exhortation that occurred with such frequency that some American reporters learned to recognize the Chinese characters declares: "In agriculture, learn from Tachai. In industry, learn from Taching." Tachai is a famous hill-leveling commune in Shenshi Province. Taching is where the Chinese first struck oil.

Mao is always "Chairman Mao", and he has displaced Confucious as the Chinese sage. Unlike such past and present Communist leaders as Stalin and Kim Il-Sung, Mao frequently is depicted in homely rather than heroic surroundings. But Mao thought wears down Westerners. Mao is as apt to be quoted on the weather as on nuclear weaponry. The only saving grace is that Mao's thought extends beyond ideology. To a puffing reporter who climbed to the top of the slippery Great Wall, a Chinese said: "You are a hero now. As Mao says, only those who have been to the Great Wall are true heroes."

The Chinese are obsessed with "hegemony", which is PRC code for the foreign policy of the Soviet Union. Despite careful coaching Ford, in making a toast to his hosts, mispronounced the word. In the pantheon of contemporary American heroes, Richard Nixon is far and away No. 1, followed by Senator Henry Jackson and deposed Defense Secretary James Schlesinger, who is viewed as a leading "anti-hegemonist". Ronald Reagan will be forgiven even for calling Taiwan "Formosa" if he stands up to the hated Russians. The Chinese seemed to share with White House reporters the view that the Ford presidency may be an interim one. They politely refrained from expressing this view to Americans, but one Chinese told a European diplomat: "All the Presidents looked backward until Nixon. President Nixon looked forward. President Ford is just looking."

* * *

Gerald Ford's journey of 25,000 miles began with an inspection of the Alaska Pipeline and an overnight stop in Fairbanus, where he attended a supposed birthday party for Senator Ted Stevens, his Alaska campaign manager. (Alaska, after all, has three electoral votes.) The Stevens stopover was an unfortunate one for a President who had been trying to convince reporters that his trip to China had something more than symbolic value. It also was someting of a non-event, since Stevens' actual birthday had occurred two weeks earlier. The trivialization of a trip that had a sensible central purpose continued after Ford left the PRC. The President was made to look foolish in Indonesia, where even a quick glance at the newspapers or the propaganda in the correspondents' hotel rooms indicated that the Indonesian military government was preparing for an invasion of East Timor. Indonesian President Suharto neglected to mention the invasion to Ford but launched it as soon as Ford had departed for Manila.

Ford completed the trip with a 34-hour non-stop schedule that allowed him to attend a Pearl Harbor observance and arrive home in the dead of the morning with a fatigued staff. Many of these aides missed several days of work the following week. On the trip home one of them quipped that the President actually wasn't returning to Washington. "He's going to Pecos, Texas, instead to dedicated a gas station," the aide said. "We're going to call it an alternate energy source."

As it turned out, the President should have traveled to Texas, not on the way home from China but the following week when Southern Republicans held a conference in Houston. Instead, he unleashed Vice President Rockefeller, who chewed out the GOP chairmen gathered there, and campaign chairman Bo Callaway, who launched an untimely attack on Reagan. Callaway's criticism of Reagan ("his rhetoric is great but his record is poor") came on the heels of a Gallup Poll showing Reagan leading Ford and was interpreted by Southern supporters of both candidates as a sign of panic.

After all his journeys, including the one to China, Ford still seems, to many people in his own party, the eternal Grand Rapids congressman. And he also has suffered from a misguided strategy. "The entire Ford campaign was based on the premise that all he had to worry about was the November election and that his nomination was assured," said South Carolina GOP chairman Jesse Cooksey, a staunch Ford supporter. "I'm afraid we may have overshot the runway."

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To our readers

With this issue, the first of Volume VII, the *Journal's* circulation reaches the five-digit mark. We are pleased to have reached this point and appreciate the efforts of many people who have helped make it possible. But we are not pausing to look back nor to savor the satisfaction of having more than 10,000 subscribers.

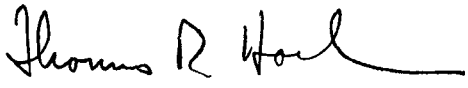
Rather, we are embarked upon a crash campaign to add another 2,000 subscribers within the next few weeks, with the goal of making the *Journal* self-sufficient in time for our sixth birthday, February 6th. We are soliciting subscribers through large-scale, direct-mail promotion and through several special projects that would add hundreds of readers at a single blow.

You can help us achieve this important goal in two ways. First, send us the names of any friends or business associates who are likely to subscribe once introduced to this unique source of information and analysis. (Reader-referrals have been one of the most effective ways we have found to add new subscribers.) Just send the names and addresses to the *Journal* subscription department, 1617 10th St., Sacramento 95814. We will send them free sample copies, with your compliments.

Secondly, we ask you to check to see if the firms and governmental agencies with which you are affiliated subscribe to the *Journal*. If they don't, please get them signed up. If they do, they might need additional copies, and these can be ordered at a bargain rate: Second and subsequent subscriptions to the same address cost just $13.50.

As we complete our sixth year, we are pleased to report that the *Journal* has been able to sustain its rapid growth despite generally adverse economic conditions. With the help of our friends, we hope that we will soon be able to announce that our readership has grown large enough to make *California Journal* entirely subscriber-supported.

Sincerely,



Thomas R. Hoeber
Publisher

Bad officials are elected by good citizens who do not vote.

— George Jean Nathan

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